Austria Sch22	Indonesia Rp3100	Portugal Esc120
Bahrain Din0.650	Israel NS3.50	S.Arabia Rls7.00
Belgium BFr48	Italy L1700	Singapore ..... S$4.10
Canada ..... C$1.00	Japan Y600	Spain Pta145
Cyprus ..... C£0.90	Jordan Fils500	Sri Lanka Rup30
Denmark DKr10.00	Kuwait Fils500	Sweden SKr9.00
Egypt ..... E£2.25	Lebanon $L125.00	Switz SFr2.30
Finland Fmk7.00	Lux LFr48	Taiwan ..... NT$85
France FFr6.50	Malaysia Rlo4.25	Thailand Bt50
Germany DM2.30	Mexico Pes500	Tunisia Din0.800
Greece Dr120	Morocco Dh6.00	Turkey L600
Hong Kong ..... HK$12	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr10.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,582 — Wednesday July 6 1988 — D 8523 A

Bahrain turns sour for Western bankers, Page 17

World News

Pressure on Gandhi for fresh Bofors probe

Indian Prime Minister Rajiv Gandhi faced a fresh onslaught by opposition leaders who asked President R. Venkataraman to order a new inquiry into charges that payoffs were made in a $1.4bn howitzer deal with Bofors of Sweden. Page 3

Israelis halt Arab demo

Israeli security forces fired rubber hullets to disperse stone-throwing Arab demonstrators in Jerusalem and Palestinians in occupied territories staged a commercial strike against Israeli rule. Page 3

Armenian strike

Thousands of people dissatisfied with the Armenian leadership's explanation of the ethnic dispute at the Communist Party conference, began a strike on Monday.

Progress at arms talks

Nato and Warsaw Pact countries were close to resolving one of the most difficult issues in the informal talks on reducing conventional weapons in Europe. Page 2

Galtieri on trial

An Argentine civil court will hear appeals on July 26 demanding harsher sentences for former military rulers than imposed by a military tribunal including ex-president Galtieri, for their role in the Falklands war.

Iran contact

US Secretary of State George Shultz said Iran had used third parties to seek direct contact with the US and that the US was willing to talk to authoritative Iranian representatives. Diplomatic relations ceased in 1979.

Flight recorder ruling

A judge investigating the crash of an Air France A-320 Airbus in which three people died last month ordered its two flight recorders to be placed under lock and key because he did not want them left with the civil aviation authorities "without judicial guarantees."

Greece sets agenda

Greece served notice on its EC partners that it would use its six-month EC presidency to promote closer Community relations with Cyprus, while keeping at arm's length Turkey and any other would-be member. Page 2

Mexican poll appeal

President Miguel de la Madrid of Mexico repeated his appeal to voters for "clean, legal and peaceful elections" amid widespread anger over the murder of a leading opposition politician and his aide. Page 4

Yugoslav pay protest

Thousands of Yugoslav workers – most of them from a leather and shoe plant – staged a mass demonstration in the Croatian town of Vukovar, demanding a doubling of wages.

Portuguese bank strike

Strikes closed banks and disrupted transport throughout Portugal as public sector nnions pressed for improved wages and working conditions.

Contras kill 12

Nicaragua said US-backed Contra rebels had killed 12 people in an ambush on two military trucks, violating a ceasefire in effect for the past three months. Page 4

Afghan rebel offensive

Afghan rebels fighting the Soviet-backed Kahul Covernment mounted attacks at 67 places in five days, the Tass Soviet newsagency said.

Hijack trial opens

The trial opened in Frankfurt of Mohamed Ali Hamadei, the Lebanese citizen accused of hijacking a TWA airliner in June 1985 and murdering one of the passengers. Page 3

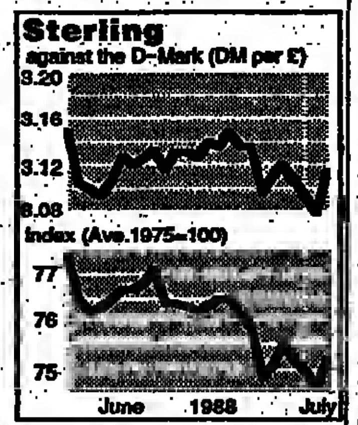
Business Summary

Ryobi to buy Singer division for $325m

RYOBI, Japanese maker of power tools, sports goods, printing equipment and die castings, is to pay $325m for US Singer's Motor Products division. Page 19

CHAIRMAN of the UK Securities and Investments Board, the chief investor protection agency, dashed City of London hopes for a *radical* relaxation of the new regulatory regime in his first public pronouncement since taking over five weeks ago as chairman. Page 18

STERLING closed in London at $1.7065 ($1.6830), DM3.1125 (DM3.0800), Y229.0 (Y228.0),



SFr2.5875 (SFr2.5625), FFr10.4825 (FFr10.3725). In New York, sterling closed at 1.7125. Page 29

DOLLAR closed in London at DM1.8235 (DM1.8295), Y134.20 (Y135.40), SFr1.5165 (SFr1.5230), FFr6.1425 (FFr6.1625). In New York, dollar closed at DM1.8185, Y134.05, SFr1.5125, FFr6.1265. Page 29

LONDON: Sentiment improved on the stronger pound, a better gilts market and Wall Street's unruffled tone. The FT-SE 100 index added 6.8 to 1,854.8 hut turnover remained moderate. Page 36

TOKYO: The yen's rally against the dollar and a recovery in the bond market animated equities for the first time in several sessions, with sharp rises among the *big-capital stocks*. The Nikkei average gained 216.78 to close at 27,577.17. Page 40

WALL STREET: The Dow Jones Industrial Average closed up 27.03 at 2158.61, its highest close since October 19 crash. Page 40

RAUL GARDINI, Italian financier who controls the Ferruzzi foods group and Montedison chemicals company, has come nnder investigation by the French stock exchange authorities. Page 21

WEST GERMANY: Complex negotiations for Daimler-Benz, the motor group, to take a 30 per cent stake in Messerschmitt-Boelkow-Blohm face further complications after a threatened lawsuit by minority family shareholders of Dornier, the aerospace group in which Daimler has a 65.5 per cent stake. Page 21

EUROPEAN Commission confirmed exports of New Zealand apples to the EC in 1988 would probably exceed the 115,000 tonne quota laid down by Brussels in its controversial action against southern hemisphere importers. Page 4

SUN, US oil refiner, is paying $513m for a refinery, distribution network and 571 service stations owned by Arco, West Coast oil company. Page 19

TEXAS UTILITIES, Dallas, US company, agreed to give a citizens' lobbying group a formal role overseeing its nuclear power plant

CONTROL Data Corporation of the US signed a $45m contract with India to transfer technology for its Cyber 930 mainframe system, in place of a $30m contract for an older model. Page 4

GRINDLAYS BANK of the UK, Citibank of the US and the Luxembourg-based Bank of Credit and Commerce International (BCCI) are among 43 applicants to open Pakistan's first two privately owned foreign investment banks. Page 22

US says Iranian airliner sent out military signals

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

THE IRANIAN airliner shot down by the US warship Vincennes in the Persian Gulf on Sunday was sending out ambiguous electronic signals, one of which identified it in the judgement of the US warship as a military jet, the Pentagon said yesterday.

"The signals that the Vincennes was receiving were signals previously identified with F-14s," Mr Dan Howard, the Defence Department spokesman *told a news conference yesterday* to support the statements made by Admiral William Crowe, Chirman of the Joint Chiefs of Staff, who said on Sunday that the Vincennes thought it was about to be attacked by a Iranian fighter.

The US also said yesterday it had sent a message to Iran expressing "deep regret" over the incident.

At yesterday's Pentagon briefing Mr Howard said that the Iran Air Airbus, in which 290 people died, was sending automatic IFF (identification friend or foe) signals in both "mode 2" and "mode 3". "Commercial aircraft do not carry mode 2...we have previously associated snch signals with Iranian F-14s." He added that mode 3 signals were used by both military and civilian planes. But he also conceded that there were many unanswered questions about the incident.

Mr Howard also said the aircraft was asked to identify itself 12 times by two Navy ships and did not respond before it was shot down by two Standard sea-to-air missiles fired from the USS Vincennes.

In his initial explanation on Sunday night of how the incident occurred and why the US ship failed to identify the airliner as a civilian aircraft, Admiral William Crowe, chairman of the Joint Chiefs of Staff, had referred to other intelligence which identified it as military.

The US has said throughout that the Airbus was mistaken for *an attacking Iranian airforce F-14* fighter.

On Sunday, Admiral Crowe said the aircraft was following a flight profile which suggested it was preparing to attack the Vincennes, one of the US Navy's electronically most sophisticated warships. That profile included the fact that the aircraft was descending, he said.

But a report in the Washington Post yesterday quoted Pentagon sources as confirming that the aircraft was climbing before it was shot down. The Post said the USS Sides, an American frigate in the area, had filed the report but quoted Pentagon officials as saying they did not know if it was accurate.

Meanwhile, a team of US Navy investigators arrived in the Gulf to try to resolve unanswered questions about the incident.

Yesterday's Pentagon statement may explain why the aircraft was misidentified. But it opens up a range of other questions about why the Airbus captain apparently did not respond to repeated warnings from the USS Vincennes, why its automatic transponder did not identify it unambiguously as a civilian aircraft and why it chose to fly, at relatively low altitude, into an area where a sea battle was underway. These are unlikely to be answered by the Navy's investigation.

In a written report to Congress yesterday, President Ronald Reagan outlined in some detail the *events surrounding the sea battle* with Iranian patrol boats which the Vincennes was engaged in when its Captain, William C Rogers, made the decision to fire at what he believed to be a "hostile Iranian military aircraft."

The report adds no new details to the downing of the aircraft itself. "Regrettably, in the course of the US response to the Iranian (patrol boats) attack an Iranian civilian airliner was shot down by the Vincennes which was firing in self defence at what it believed to be a hostile Iranian military aircraft," President Reagan said.

In Iran yesterday, there were signs of a desire not to escalate tension with the US. On Monday, Ayatollah Ruhollah Khomeini, Iran's spiritual leader, called for a fully fledged war against America. But Ali Akbar Hashemi Rafsanjani, acting commander of Iran's forces, said yesterday Iran should heware of taking hasty revenge for the incident.

With the Armilla patrol, Page 3

Peace, strength and applause

BY LIONEL BARBER IN ST LOUIS, MISSOURI

TOWARD THE END of a sweltering Independence Day holiday, Vice President George Bush took up the issue of the downed Iranian airliner.

"Our hearts go out to the families of those lost," said Mr Bush, *standing on a silver bandstand* overlooking the Mississippi river, "but they also go out to the crew and the captain of that ship. They followed their orders, did what they had to do."

There followed the first gut-felt cheer of the day, a whooping roar from the crowd gathered under the Gateway Arch in St Louis. In the Midwest, they still remember how Iranian students stormed the US Embassy in Tehran in 1979 and held 52 Americans hostage for the next 444 days. No one condones the killing, but no one wants to be part of the Blame America crowd.

"It was a bad mistake," said one elderly lady, echoing Mr. Bush's expressions of regret before the television cameras at Detroit airport in the morning. *But she nodded when her male* companion, a vice president of a national rental car company, said that the US Navy should continue its protective mission for international shipping in the Gulf.

During his July 4th visit to the region, Mr Bush found plenty of Republicans to appland his presidential election campaign slogan of "peace through strength." Voters clapped when he spoke of the recently concluded INF treaty eliminating US and Soviet medium and shorter-range missiles. And they liked his proposition that a stronger America has created a more conciliatory Soviet Union.

The Bush campaign is pushing the theme of American strength hard, starting with Mr Bush himself. *Forget the doubters – and* there are many among the travelling American press corps – the Bush camp believe they can sell their candidate as a toughie.

Mr John Ashcroft, the former gospel singer turned Republican governor of Missouri, introduced the Vice President as a hero, the youngest US pilot shot down in combat in World War Two. A newly aired nationwide television advert – paid courtesy of a political action committee called Americans for George Bnsh,

Continued on Page 18

Three held following SFr82m attempted UBS computer fraud

BY ALAN CANE IN LONDON

POLICE are questioning two men in Switzerland and a third in London following an attempted computer fraud, which could have cost Union Bank of Switzerland (UBS) almost SFr81.9m ($53.8m).

The two men arrested in Switzerland are understood to be neither Swiss nor British, while the man being questioned in London is British.

The City of London Police Fraud Squad said the man was an employee of the Union Bank of Switzerland but that he was not a senior manager.

The fraud was computer-mediated – relying on the speed and *lack of human intervention* implicit in automated messaging systems – rather than a true computer fraud where the integrity of a computer system is breached.

Instructions were issued in the London branch of UBS for the transfer of SFr81.9m to a branch of Credit Suisse in the small town of Nyon, near Lausanne, in Switzerland.

The attempted frand – which would have ranked as Britain's largest ever theft – failed only,it seems, because of a computer breakdown which forced bank staff manually to check payments instructions which would otherwise have been transmitted and remitted antomatically. The Swiss police were alerted and were waiting when one of the arrested men arrived to collect the cash.

The Fraud Squad refused yesterday to add further details to its statement that a frandulent transaction was entered on to normal bank instruction paper and entered into the bank's computer switching system.

Sources in Switzerland confirm, however, that the fraudulent *payments message had been* sent via the Swift computer network, the chief conduit for financial payments messages between the world's banks, which handles close to one million payments messages a day. The advent of Swift was a great advance for inter-bank communications because it introduced a series of standard format messages whose provinance and integrity were guaranteed.

Officials at Swift's Brussels headquarters said yesterday that UBS had not been in touch with its inspectors, indicating that the security of Swift had not been breached.

What seems to have happened is that a frandulent payment telegram was received in UBS's London office and accepted in a manner not yet disclosed as valid, leading to the generation of a Swift message that was to all intents and purposes completely genuine. It raises a number of questions about security in UBS's London offices.

The UBS affair is one of only a small nnmber of attampted frauds involving compnter systems which have become public knowledge. In 1986, an attempt was made to defrand PruBache securities of £5.7m ($9.5m) worth of Eurobonds.

Fraud experts are convinced that the true level of fraud is higher than appreciated because companies which fall victim are unwilling to make public the fact that their security has been breached.

They are also convinced that most companies are poorly prepared to defend themselves against fraud and complacent about the risks involved.

Edwin Meese: 'resisting pressure'

Meese to resign but escapes prosecution

By Lionel Barber in Washington

US Attorney General Mr Ed Meese yesterday announced he would resign after a 13-month-long criminal investigation into his ethical conduct in office found insufficient evidence to recommend prosecution.

Mr Meese, a close friend of President Reagan, said he could leave the administration with a clear name after a Federal court-appointed special prosecntor Mr James McKay filed his 800-page report in Washington yesterday.

He said the still-secret report had put false allegations to rest and he was now ready to return to private life at the end of this month or early in August.

The Attorney General's announcement removes one of the most controversial and longest serving members of the Reagan administration and is likely to be greeted with relief hy Vice President George Bush, the Republican party's presidential candidate who was dismayed by Mr Meese's ethical problems.

During the lengthy criminal investigation, the Attorney General accused his critics of leading a liberal witchunt, while others argued that he epitomised a lax ethical attitude in the Reagan administration which has seen dozens of officials either face investigation or be forced out of office under a cloud.

Mr McKay said last May that he had no plans to indict Mr Meese on three major issues that he had looked into. He also said that if no prosecution was warranted, he would submit his report for review, an action he appears to have taken yesterday. The report,

Continued on Page 18

EC presses for cut in Rover debt write-off

BY WILLIAM DAWKINS IN BRUSSELS

LORD YOUNG, the UK Trade and Industry Secretary, is expected to ask British Aerospace if it will accept a £200m-£300m ($341m-$512m) cut in the cash injection promised for Rover earlier this year as a condition of the UK car group's sale to the aircraft maker.

The move follows a three-hour meeting yesterday in Brussels between Lord Young and Mr Peter Sutherland, the European Commissioner for Competition policy, who is seeking a large reduction in the UK Government's proposed £800m debt write-off for the state-owned car company.

Yesterday's session, the longest of several tense meetings between the two men, marks a critical stage in the Commission's three-month investigation into the deal. A final decision is widely expected within the next couple of weeks, following further talks.

No official figures are being released yet. But if British Aerospace refuses what looks set to be a costly change in the takeover terms, the collapse of the deal would be a political embarrassment for Mrs Margaret Thatcher, the UK Prime Minister, who has intervened personally in the Commission inquiry.

It could drive Rover into the arms of an overseas huyer, with Volkswagen and Ford still the favoured candidates, although both have publicly discouraged suggestions that they are examining the possibility of making bids.

"The ball is now in the British court. As soon as the dialogue is completed, we will be ready to go to the full Commission," said a senior EC official. UK and Commission officials agreed that yesterday's talks made some progress and that they would probably, though not inevitably, be the last ministerial session before Mr Sutherland asks a full weekly meeting of the 17-man Brussels executive to sanction his final decision.

Lord Young was optimistic *that the terms of the deal would* be sealed before the UK Parliament's summer recess at the end of July, "not least in the light of the urgency which the Government attaches to settling the future of the Rover Group," said a British official.

The final injection figure will depend on the extent to which British Aerospace promises to restructure Rover, currently trading profitably in an industry that is still suffering from underlying surplns capacity.

Officials privately indicate that the Commission has moved from its initial insistence tbat tbe debt-write off be cut by well over £300m, while the UK has also signalled that it could reduce the proposed write-off by more than £100m.

However, tbe Commission is under pressure from other European car makers and Covernments not to give Rover an unfair advantage and does not want to be seen surrendering to pressure from Mrs Thatcher.

Kevin Done, Motor Industry Correspondent, writes: A reduction in the cash injection of the scale of £200m-300m would be very difficult for British Aerospace to accept. It would have to explain the continuing merits of a Rover Croup takeover to a sceptical City of London as well as convince its shareholders of the wisdom of going ahead.

Even after the Commission has approved the deal with whatever conditions are finally attached, BAe must seek the approval of shareholders.

Under recent questioning hy a parliamentary committee, Lord Young made clear that he expected BAe to show some "flexibility" to conditions that may be set by Brussels.

Equally, however, Professor Roland Smith, BAe chairman left MPs with the impression that the company's "flexibility" may not extend far beyond £100m.

The increasing uncertainty surrounding the ownership of Rover Group has disturhing implications for the Government and the company. Lord Young and Mr Graham Day, Rover Group chairman and chief executive, have argued that the rationale for a "closed" deal with BAe, excluding hids from any rivals, lay in preventing the damaging erosion of the group's market share that occurred in the midst of the last set of talks more than two years ago with Ford (over Anstin Rover) and Ceneral Motors (over Land Rover).

A takeover by any rival foreign car maker would inevitably lead to a far-reaching rationalisation *of Rover's UK production base* with consequent plant closures

Despite public denials of their readiness to hid, otber West European car makers are following the progress of the BAe bid like hawks. The European volume car market is shared chiefly by six groups with shares ranging from 10 to 15 per cent. Rover with a 3.5 per cent European share and a 15 per cent UK market share offers virtually the last opportunity to increase volume and market share through acquisition.

CONTENTS

GORBACHEV PAYS HIGHLY FOR APPROVAL OF GLASNOST REFORMS

The Soviet leader may have made critical compromises at the recent Moscow conference, Page 18

Greece to point EC in direction of Cyprus

BY DAVID BUCHAN IN STRASBOURG

GREECE YESTERDAY served notice on its EC partners that it would use its six-month EC presidency to promote closer Community relations with Cyprus, while keeping at arms length Turkey and any other would-be member.

Mr Carolos Papoulias, the Greek Foreign Minister, yesterday outlined to the European Parliament his Government's presidency priorities. Athens, he said, would put a social accent on internal EC policy-making, while also displaying a new willingness to see the Community discuss security issues.

"Turkey cannot expect anything from the Community" while its troops occupy part of Cyprus, Mr Papoulias told MEPs during question time. Earlier he had said: "In the immediate future there should be no discussion of, or action on, any further enlargement of the Community".

Turkey is the only current applicant for EC membership, though Austria and Norway are weighing up whether and when to make similar applications.

However, Greece would support last month's request by Cyprus for a political dialogue with the Community. A formal EC ministerial meeting with Cyprus is planned while the Greeks hold the EC chair until the end of December, but there are no plans to revive a similar meeting with Turkey which was aborted in April over a flare-up of the Cyprus issue.

Mr Papoulias made clear that Athens would not allow its EC partners to backtrack from the position they agreed in April, linking the Cyprus issue to that of Turkey's relations with the Community.

Fully half Mr Papoulias's speech was taken up with political co-operation issues, an increasingly active area of European policy co-ordination outside the strict ambit of the Treaty of Rome. In the past, Greece has resisted joint EC declarations on East-West and security issues. But Mr Papoulias said yesterday that the Community's need to have "a single and affective voice" was "particularly acute today" when the international political scene was shifting so rapidly.

Leaders of divided island may meet next week

BY WILLIAM DULLFORCE IN GENEVA

THE LEADERS of the Greek and Turkish communities in Cyprus may meet in Geneva next week for the first time in three years.

Mr Javier Perez de Cuellar, the United Nations Secretary-General, said yesterday he hoped to hold a working lunch with Mr George Vassiliou, the Greek Cypriot President, and Mr Rauf Denktash, the Turkish Cypriot leader.

They would discuss ways of resuming UN-sponsored talks for a settlement in the divided island, which has been a potentially explosive source of conflict between Greece and Turkey since the Turkish army occupied the north-eastern part in 1974.

Mr Perez de Cuellar said he had received "full acceptance" of his invitation to the lunch from the Greek Cypriot side but was still "working on details" with the Turkish Cypriot side. He expected a response later yesterday or today from Mr Denktash and hoped the last difficulties would be ironed out.

The move to resume the dialogue between Greek and Turkish Cypriots comes after the thaw in relations between Greece and Turkey marked by the visit to Athens last month of Mr Turgut Ozal. This first visit to the Greek capital in 36 years by a Turkish Prime Minister was the result of the joint pledge by Mr Ozal and Mr Andreas Papandreou, the Greek Prime Minister, made in Davos, the Swiss resort, in January, to work for "lasting peaceful relations."

Cyprus is the main obstacle to achieving this goal. During the recent Athens meeting Greece is understood to have demanded a firm timetable for the withdrawal of the 35,000 Turkish troops from Northern Cyprus as a basis for negotiations.

Turkey maintained that withdrawal could be discussed only together with the terms for a territorial and constitutional accord in Cyprus. The UN has proposed a federal settlement for the Greek and Turkish communities on Cyprus.

● Jim Bodgener adds from Ankara: Mr Denktash appeared yesterday to have bowed to heavy pressure from Ankara in advance of the meeting under the UN's aegis. A statement from the Turkish presidency yesterday afternoon said President Kenan Evren had been told during a visit to Ankara by Mr Denktash that he would attend the meeting without an agenda or preconditions.

Polish leadership seeks accord with the church

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S LEADERS, facing more industrial unrest this autumn, are attempting to reach an accommodation with the powerful Roman Catholic church as well as with the moderate wing of the opposition, according to a senior party official.

They are offering the church an agreement which would formally guarantee its rights and obligations for the first time and incorporate them in a convention lifting relations with the Vatican to full diplomatic status.

At the same time the opposition is being offered a minority role in Parliament and other advisory bodies, and greater freedom to set up clubs and political associations.

The senior official who declined to be named thought agreement with the church could be reached by next year, but he was less optimistic about an acccord with the opposition.

Indeed, Mr Andrzej Wielowiejski, a Solidarity adviser and secretary of Warsaw's intelligentsia Club who has been taking part in behind-the-scenes talks for several months, confirms that the official offer falls below his expectations.

While hinting that they are ready to see leading opposition figures, including Mr Lech Walesa, the Solidarity chairman, playing a public role within existing official structures, the Government remains adamantly opposed to permitting a return of Solidarity or any successors to rival the official union.

Solidarity strategists like Mr Bronislaw Geremek, however, insist that agreement is only feasible if the authorities first recognise the movement's right to exist. The authorities seem set on drawing the opposition into bearing common responsibility for Poland's plight while reserving real power for themselves.

Israel worried as MEPs vote on trade package

BY ANDREW WHITLEY IN JERUSALEM

ISRAELI government officials are holding their breath before today's scheduled vote in the European Parliament on three trade and financial accords which MEPs in effect vetoed in March.

A second failure to approve the package of agreements would be a serious setback for EC-Israel relations, already strained by the seven-month Palestinian uprising in the occupied territories. It would also raise constitutional issues between Strasbourg and the Commission in Brussels.

Private signals from Brussels suggest that the Israeli protocols may not receive the necessary two-thirds majority, despite intense lobbying by Israeli and Commission officials, anxious not to have to reopen negotiations on the central trade protocol.

The drafting of this protocol, an addendum to the 1975 bilateral trade agreement, was originally concluded as far back as October 1986. But its implementation has been held up by a series of unrelated disputes, first at the Commission and then at the European Parliament.

The all-round deterioration in Israel's international standing – a subject on which the Government is acutely sensitive – is one consequence of the uprising, or intifada, which could take years to remedy. Far from denying the image problem, many officials treat the issue as a failure of Israel's own propaganda efforts.

"It's like one long Sabra and Shatilla," moaned one official last week, referring to the international opprobrium heaped on Israel's head after the slaughter in the Beirut Palestinian refugeee camps in 1982. In terms of Western public opinion, the country was barely out of that doghouse before the current uprising began.

Armenian minister sees solution to Nagorno-Karabakh dispute

BY HAIG SIMONIAN IN FRANKFURT

THE GOVERNMENT of Soviet Armenia still hopes for a satisfactory solution to the dispute over the territory of Nagorno-Karabakh, which has triggered unprecedented demonstrations in the region and raised questions about the Soviet Union's ethnic nationalities policy.

Mr Anatoly Mkrtchyan, the Armenian Minister of Foreign Affairs, said in an interview yesterday that his government thought Nagorno-Karabakh could come under Armenian control without the approval of neighbouring Azerbaijan.

"They (the people of Nagorno-Karabakh) are asking for self-determination under Article 70 of the Soviet Constitution", he said. "There is no question of a border change. The Armenian Supreme Soviet has considered the matter and decided to accept the wishes of the people of Nagorno-Karabakh".

The Armenian interpretation distinguishes between Article 78 of the Constitution regarding border changes, which requires joint agreement by the governments concerned, and Article 70 on self-determination, where no such mutual agreement is required. "We don't want any piece of territory back from Azerbaijan", said Mr Mkrtchyan. But "if the population of Nagorno-Karabakh wants to change, it's their right".

However, he was unsure how decisions at the recent Communist party conference might have affected thinking on the nationalities issue. Nor could he comment on the current situation in Nagorno-Karabakh, where there has been a wave of strikes among the 160,000 population, 76 per cent Armenian, in favour of incorporation into Armenia.

Mr Mkrtchyan stressed that turnout at the demonstrations in Yerevan, the Armenian capital, had reached 700,000 at their height in February. However, the demonstrators had been peaceful and with no anti-Soviet slogans or propaganda.

"Everyone in Armenia believes in the peaceful and friendly resolution of the problem according to the rules of the Soviet Union", he said. The Armenian government would take steps against nationalists seeking other solutions. "There are always people who want everything at once," he said.

There had been great concern in Armenia, he said, following the violence in the Azerbaijani city of Sumgait earlier this year, where a number of Armenians were killed. "The reaction is very logical, the people were very unhappy", he said.

Mr Mkrtchyan confirmed Armenia was concerned about the possibility of further reprisals. "What happened is done, but we don't want to see it twice," he said.

While emphasising that the problem of Nagorno Karabakh was "extremely serious" and accepting that the Soviet Union faced numerous other ethnic grievances, he emphasised the need to see the Nagorno-Karabakh issue separately.

A solution there would not necessarily set a dangerous precedent. "If you have 20 problems and solve Nagorno-Karabakh, then you only have 19 left." The nationalities problems were "absolutely different" and should not be treated in the same way.

Some Armenians who supported the Nagorno-Karabakh appeal to the party conference went on strike yesterday in the Armenian capital of Yerevan, according to the newspaper Izvestia, Reuter reports from Moscow. The strikes resulted in the cancellation of virtually all flights at Yerevan airport, it said. Delegates who attended the conference spoke to crowds in Yerevan's Opera Square and counselled patience on the Nagorno-Karabakh issue, but after "strong debates" workers called for a strike.

Weapons talks show progress

By Judy Dempsey in Vienna

NATO and Warsaw Pact countries are close to resolving one of the most difficult issues in the informal talks on reducing conventional weapons in Europe.

The talks, which are linked to the Vienna meeting of the Conference on Security and Co-operation in Europe (CSCE), started in February last year and are aimed at reducing conventional forces "from the Atlantic to the Urals".

If both sides agree on a final mandate, the new talks will eventually replace the deadlocked Mutual and Balanced Force Reduction talks (MBFR) which have been taking place in Vienna for the past 14 years.

Although progress has been steady, two main issues remain to be resolved. The most important is the insistence by the Warsaw Pact that a mention of dual-capable systems, conventional weapons which have nuclear capability, should be included in the mandate.

Nato, however, argues that since the talks relate only to conventional weapons systems, any inclusion of dual capable weapons is irrelevant. Western diplomats believe their inclusion would allow the Warsaw Pact to broaden the scope of the talks to include tactical nuclear weapons.

The Warsaw Pact argues that excluding dual capable weapons from the mandate could possibly exclude some categories of conventional forces.

In an effort to resolve the issue, Nato last week verbally acknowledged the Warsaw Pact's concerns and this is now likely to lead to a resolution of the issue.

The mandate also depends on progress made at the CSCE talks in the humanitarian field, the other main issue. Western diplomats say that unless there is a "balanced outcome" between arms, security and human rights, formal conventional stability talks will be seriously affected.

Turkish inflation

Inflation in Turkey was 74.1 per cent in the 12 months to the end of June, according to the Institute of Statistics, Jim Bodgener reports from Ankara. The Government is having considerable problems curbing inflation, although the upward trend earlier in the year appears to have halted.

The rate of increase in wholesale prices over the same period was 67.7 per cent. Both indices for June remained roughly constant compared with May.

Ageing populations pose problems for OECD nations

BY GEORGE GRAHAM IN PARIS

SOCIAL AFFAIRS ministers of the leading industrialised nations meet in Paris today and tomorrow to discuss social security policies for the 1990s.

The meeting of the social affairs committee of the Organisation for Economic Co-operation and Development will discuss how to cope with the dramatic increase in the elderly population expected in most industrialised countries in the early years of the next century, as well as with the development of an excluded "underclass" in many countries, and with shifts in the patterns of unemployment.

While Japan, which faces the problem sooner, has already made substantial efforts to come to grips with its ageing population, some senior Western officials feel their governments have not yet addressed the problem seriously.

OECD officials estimate that by 2020 some 18 per cent of member countries' populations will be aged 65 or over, and more than 7 per cent will be over 75. Countries like Australia, Canada and Turkey will see the number of people over 75 quadruple in the next half century, the OECD projects.

SOCIAL EXPENDITURE AS A PROPORTION OF GDP
Per cent

	1960	1975	1980	1985
Australia	9.5	17.6	17.3	18.4
Austria	17.4	23.4	26.0	28.8
Belgium	*	28.7	33.9	35.8
Canada	11.2	20.1	19.5	22.6
Denmark	9.0	27.1	35.1	33.9
France	14.4	26.3	30.9	34.2
Germany	17.1	27.8	26.6	25.8
Ireland	11.3	22.0	23.8	25.6
Italy	13.7	20.6	23.7	26.7
Japan	7.6	13.7	16.1	16.2
Netherlands	12.8	29.3	31.6	30.7
Spain	*	*	15.6	15.2
Sweden	15.6	27.4	33.2	32.0a
Switzerland	8.2	19.0	19.1	20.5a
UK	12.4	19.6	20.0	20.9
US	9.9	12.7	18.0	18.2
OECD Average	12.3	21.9	23.3	24.6

a: The 1985 data for Sweden and Switzerland refer to 1984. * Not available

This will place greater pressures on social security systems, since old people make substantially greater demand for health care and retirement pensions than do their younger counterparts for health and education.

An even more striking set of projections, though subject to a considerable margin of error depending on developments in life expectancies, shows that by 2050 more than one person in five in France and West Germany will be aged 80 or over, and one in three will be over 65.

Social spending overall grew by an average 8 per cent a year in real terms in OECD countries throughout the 1950s, 1960s and early 1970s, but the pace slowed in the mid-1970s in the face of lower economic growth, rising unemployment and larger government deficits.

The growth in real social spending fell to 4 per cent a year on average between 1975 and 1980, and to just over 2.5 per cent in the following five years.

The pattern of spending has shifted in many countries, however, with less pressure on educational spending and a slowing in the growth of health care, but additional demands on income support programmes, due to rising unemployment, and increases in pension expenditure.

The OECD suggests that countries need to reconsider their social security policies in light of the need to provide for the frail elderly as well as for the more active who have just retired, and the need to deal with poverty among the aged.

Further reassessments are needed of social policy relating to the young and short-term unemployed, the OECD says in its discussion paper for the ministerial meeting, suggesting that some form of training could become a mandatory part of any income support package.

Policy changes in the social security sector arouse fear and an instinctive defence of the status quo, the OECD says. Governments may therefore need a clear commitment to overall social protection goals in order to win over the public to changes in the balance between the state, the family and the commercial sector as providers of social care.

The Paris-based organisation also says that governments may need to consider ways of smoothing out a family's income over its lifetime, as the increased participation of women in the labour market exacerbates both the loss of income when they stop to bear children and relative comfort of the "empty nest" years when those children have left home.

Most of the systems of family income support in OECD countries, whether through tax allowances or cash payments, were created when women's work patterns were different and were designed to contribute to the direct costs of children. Payments were therefore generally higher for older children, who cost more: for example in the recent family allowance supplement in Australia.

The OECD study suggests benefits might more appropriately focus on the period when the mother's earnings are most affected.

Health systems under stress

BY GEORGE GRAHAM

THE DRAMATIC ageing of the population in OECD countries will cause serious problems for health care systems as the elderly require more lengthy treatments and long-term geriatric care.

The OECD notes that in 10 large member countries, health spending is more than four times as high per capita on the over-65s as on the under-65s. For the over-75s, the proportion rises to nearly six times.

Commercial or public organisations could solve the problem of providing enough long-term care capacity, the organisation reports, but doing so efficiently is very difficult. Medical and social services organisations often fail to co-ordinate their activities, which overlap greatly in this area.

In addition, it is very difficult to measure the results of long-term chronic care, which frequently does not result in "good health" or the elimination of disease, but simply slows the decline or provides some level of comfort to a patient whose illness will end in death.

Economics and health administration, the OECD notes, are incapable of providing answers on the correct balance between public or commercial care and informal caring mechanisms through family or friends.

Because large numbers of women reach the over-80 age group where dementia, coronary and arterial diseases and musculo-skeletal impairments become widespread, they are a particularly vulnerable group, the report says. In the US, for example, 21 per cent of women over 80 suffer from dementia, compared with 13 per cent of men of the same age and 8 per cent of the 75-79 age group for both sexes.

Health spending in OECD countries rose from around 4 per cent of gross domestic product in 1960 to nearly 7.5 per cent in 1986. The public share of health spending rose even faster, from 2.5 per cent to 5.75 per cent, and health is the second largest item of social spending, after pensions.

The OECD says that health care services have particular characteristics which make them unusually difficult to manage within a limited budget. These characteristics include a distribution of illness which is unrelated to the ability to pay, a concentration of spending on very small segments of the population (especially the elderly), benefit and cost-sharing structures which often favour costly institutional care rather than walk-in treatment, and the lack of cost-consciousness on the part of the consumer.

The report adds that policymakers are operating largely in the dark in their planning for the effects of acquired immune deficiency syndrome, which is expected to cost $8bn-$16bn in direct medical treatment in the US alone in 1991.

It suggests four main and urgent objectives: the provision of appropriate and humane treatment for AIDS victims; the search for a cure and/or a vaccine against the Human Immunodeficient Virus (HIV) which leads to aids, the need for better monitoring of HIV infection in the general population, and the dissemination of information about the disease.

PROJECTIONS OF THE ELDERLY POPULATION
% of population aged 65 and over

	Canada	France	W.Germany	Italy	Japan	UK	US
1980a	9.5	14.0	15.5	13.5	9.1	14.9	11.3
1985a	10.4	13.0	14.8	12.9	10.2	15.1	11.9
2000	12.8	15.3	17.1	15.3	15.2	14.6	12.1
2020	20.0	21.2	23.5	20.7	22.9	18.7	17.2
2040	29.2	29.7	34.1	29.1	29.2	26.4	25.3
2050	33.0	34.0	36.2	31.0	33.1	28.7	29.0

a: Actual
Source: OECD Demographic Data File

Environment tops Swedish voters' concerns

BY ROBERT TAYLOR IN STOCKHOLM

THE ENVIRONMENT, not the economy, promises to be the most important issue in Sweden's general election due on September 18. This is the main finding of a nation-wide opinion survey carried out by the SIFO polling organisation. As many as 55 per cent of the sample believed that the environment was the most interesting election question facing Sweden, compared with welfare and law and order, which were both mentioned by 36 per cent.

Surprisingly, bread-and-butter issues like employment, wages and prices and fears about an overheated economy rated far lower as election questions. In the previous four general elections since September 1976 jobs were the main concern of voters but that topic has dropped to only the seventh place this summer.

Even the much-criticised taxation system does not appear to rate as highly as an election issue as might have been expected. Only 34 per cent of the sample mentioned taxes as the most interesting election question. The environment is running neck-and-neck with taxes as the main preoccupation of sympathisers with the centre-right Moderates, who are usually much more concerned with economic questions.

A mere 3 per cent mentioned the standing of politicians as an important question, although the representative sample of 948 people aged between 16 and 74 were interviewed at the end of May before the end of the political crisis involving the resignation of Sweden's Justice Minister for sanctioning a private inquiry into the murder of Mr Olof Palme.

The current debate about relations with the European Community seems of limited interest as well, with only 8 per cent expressing the view that it was of much importance. Nor do many Swedes seem to have any worries about the state of the economy, with just 4 per cent concerned that it is overheated.

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Brussels to propose ban on ivory trade

BY TIM DICKSON IN BRUSSELS

THE EUROPEAN Commission is drawing up proposals for a total ban on the European ivory trade, Mr Stanley Clinton Davis, the European Environment Commissioner, said yesterday.

Mr Clinton Davis, speaking at the opening of an exhibition at the European Parliament in Strasbourg, highlighted the Commission's concern at the slaughter of thousands of elephants in Africa every year – most of them for their ivory – and stressed the threat this posed to the species.

"Is it morally defensible that the animal kingdom should fall prey to the limitless greed of traders or the insatiable blood-lust of hunters?" he asked. "Plainly the time has come to toughen the regulations governing the international trade in ivory. We need to envisage a total ban on the ivory trade."

The Commission says an estimated 800 tonnes of ivory are traded internationally each year and the European Community (EC) and the United States account for more than 40 per cent of the market in worked ivory.

Mr Clinton Davis said his staff are also preparing specific measures on banning the manufacture, sale and use within the Community of the "notorious" leg hold trap for fur-bearing animals.

The idea that furs imported into Europe should bear labels indicating whether the leg hold trap was used was also being considered.

The Commissioner also indicated that the European Commission's temporary ban on the import of seal products should be made indefinite

● AP-DJ adds from Luxembourg: The European Community's index of industrial production rose by 0.3 per cent in April from March and was 2.1 per cent above the index for the whole of 1987, according to Eurostat, the EC's statistical agency.

Yugoslavs protest over pay curbs

SOME 2,000 Yugoslav leather workers yesterday marched through the Croatian town of Vukovar protesting at pay curbs and corruption, the state news agency Tanjug said, Reuter reports from Belgrade.

The workers, on strike since Saturday, abandoned the Borovo leather and footwear factory and marched 5km to the official union building, waving national and Communist Party flags.

Tanjug said the crowd there swelled to 3,000, chanting anti-corruption slogans and demanding pay rises. The demonstration was the latest of several big street protests in communist Yugoslavia during the past month in reaction to strict austerity measures imposed by the Government in May.

The austerity programme includes freeing prices, which are rising by 150 per cent a year, and retroactive wage curbs.

Tanjug said in a separate report that 129 strikes were recorded in the first five months of this year in Croatia.

It said that the number of strikes had grown rapidly since May. The leather workers demanded that municipal officials hear their grievances.

Indian opposition renews demand for Bofors probe

BY K.K. SHARMA IN NEW DELHI

MR RAJIV GANDHI, India's Prime Minister, faces a fresh onslaught by the country'a opposition leaders who yesterday asked President R. Venkataraman to order a fresh parliamentary inquiry into charges that payoffs were made in a $1.4bn howitzer deal with Bofors of Sweden.

A 22-member delegation of opposition leaders presented the president with a memorandum saying that a previous parliamentary inquiry into the charges had been a "whitewash". It said that the report of the committee, which the opposition had boycotted, had wrongly found that Bofors had made no payment of commissions to Indians.

Since then, the opposition leaders charged, the Hindu of Madras, an independent Indian daily, had published "complete and irrefutable" evidence that Bofors had indeed made payments which it had denied making and that substantial commissions were paid to agents and middlemen.

The opposition delegation demanded the appointment of a fresh parliamentary committee to make an impartial inquiry into the charges of corruption against Mr Gandhi and his ministers. It wanted the committee to be headed by a senior opposition leader.

The opposition damands reopen the question of payoffs for the howzitzer deal which shook the Gandhi Government for more than 18 months before the parliamentary committee mada up almost entirely of ruling Congress I members published its report last April and announced that there was no evidence of payoffs or commission by Bofors to Indians.

Charges made by opposition leaders involved Mr Gandhi, his close friends and Indian Defence agents. At one time, the controversy reached such a pitch that it was feared Mr Gandhi might have been forced to resign.

The row led to the resignation of Mr Vishwanath Pratap Singh from the Cabinet and he has now emerged as a key opposition leader and, many believe, a rival to Mr Gandhi.

The president told the opposition leaders that he was a titular head of state and all he could do was to forward their memorandum to the Prime Minister. It is unlikely that tha demand for a fresh inquiry wil be accepted and so the opposition can be expected to start the nationwide campaign against Mr Gandhi on the issue again.

Security tight as Hamadei trial opens in Frankfurt

BY HAIG SIMONIAN IN FRANFURT

THE TRIAL opened in Frankfurt yesterday of Mr Mohamed Ali Hamadei, the Lebanese citizen accused of hijacking a Trans World Airlines aircraft in June 1985 and murdering one of the passengers on board.

Amid intense security in a specially-prepared courtroom at Frankfurt's Preungesheim jail, Mr Hamadei, who was appearing in puhlic for the first time since his arrest in January 1987, seemed relaxed and unmoved by the life sentence he may face.

The trial, which has grave political overtones, not least because of the continuing captivity of a German hostage in Beirut, came to a halt within 30 minutes after Mr Michael Senz, one of Mr Hamadei's four lawyers, claimed that his client's interpreter was biased after having taken part in Mr Hamadei's interrogation.

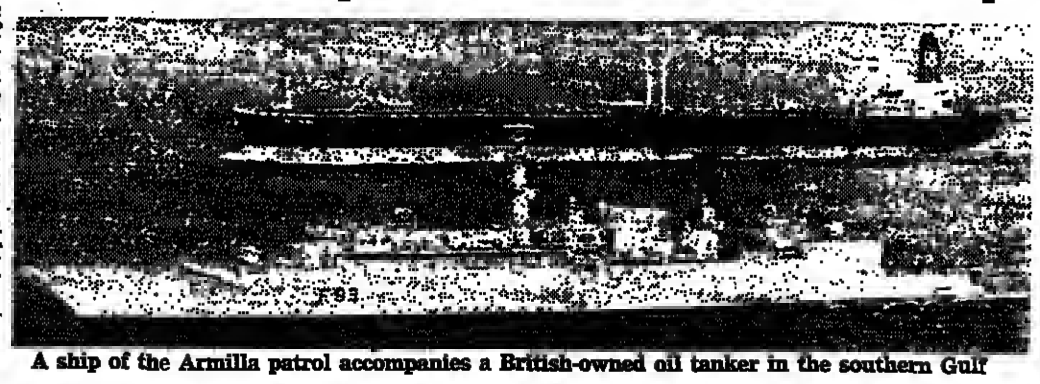
Apart from the main charges against Mr Hamadel, the jndge, Mr Heiner Mückener, announced 11 incidental actions being brought by members of the family of the dead hijack victim, Mr Rohert Stethem, a US citizen, and six other passengers of the hijacked jet.

The trial has triggered immense press interest, especially in the US. About 100 journalists were crowded into the controom yesterday, along with an observer from the US Embassy.

However, those expecting fireworks will have to he patient. The trial is expected to last for a year, and the judge clearly tried to set the tone for a cool-headed endurance test. After a series of interruptions, inclnding a pause for a headache pill to be fonnd for Mr Hamadei, the day's proceedings progressed little further than reading the charge sheet.

British navy's discreet role in someone else's war

Robin Allen reports on the work of the Armilla patrol in the Gulf



A ship of the Armilla patrol accompanies a British-owned oil tanker in the southern Gulf

IT IS mid-afternoon in high summer and the heat haze, some 12 miles off the east coast of the United Arab Emirates in the Gulf of Oman, lies like a steam blanket over the sea. HMS Beaver, a type-22 frigate, the command ship of the British Armilla patrol, is directing the formation of a "crocodile chain" of five British-owned or registered merchant vessels which are to be accompanied under cover of darkness through the Strait of Hormuz.

This scene – observed last week before the shooting down of the Iranair passenger aircraft by a US warship at the weekend – *has become entirely routine in* the Gulf, where tha Armilla patrol has been playing an increasingly important, though still low-profile, role in protecting merchant shipping.

The weekend's events will only reinforce the innate cantion and discretion which characterises the British naval presence in the region and which marks it out from its American counterpart.

The rules governing the Armilla patrol's activities are strict and are rigidly observed to conform with Britain's neutrality. British-owned or registered merchant vessels will request protection if told to do so by their owners, in which case they are informed when and where to rendezvous with a British warship.

The Armilla patrol has been in the Gulf since January 1980. It now consists of two frigates, the Beaver and Charybdis and the destroyer Manchester. They are armed with Sea Wolf and Sea Dart missiles as well as Exocets. The snpply ship is the Royal Fleet Auxiliary tanker HMS Tidespring.

Not part of Armilla but still under the overall day-to-day command of Capt Geoffrey Eades, the senior naval officer Middle East, is the newly-formed joint mine counter-measure fleet consisting of three British mina-hunter/sweepers plus one from each of Belgium and the Netherlands. These are supported by a survey ship, HMS Herald, acting as supply and command ship.

But it is the frigates and the destroyers which provide the escort for merchant vessels. Their track-record is impressive. Of the 1,000-odd vessels moving every month in the lower Gulf, some 60-70 are accompanied through the Strait by the Armilla patrol, compared with some 20 a month reflagged Knwaiti tankers in the US-led convoys. French and Italian warships escort individually some 10 vessels a month of their own flag.

The US has soma 30 naval ships in the Gulf or outside tha Strait, the French six and tha Italians four. The Soviet Union also has five naval ships – a frigate, destroyer and three mine clearing ships as part of the Soviet Contingency Force Logistics Base centred in international waters off the eastern UAE coast between Dibba and Fujairah.

Altogether 789 merchant vessels have benefitted from the company of British warships. None has been attacked. Indeed only 0.01 per cent of all British-flag vessels including those sailing on their own without protection have come under attack from Iran since the Gulf marine war flared up four years ago.

The Armilla squadron normally patrols the "Silkworm envelope" area – so-called because it is within range of Iran's Chinese-made Silkworm missiles covering some 50 or so miles either side of the Strait of Hormuz – as well as up to Bahrain. The area covered hy Armilla is where merchant marine traffic is heaviest.

The Iranians have had Silkworm missiles based for about two years at Bandar Abbas and the ability to move the missiles within hours to temporary sites along the southern Iranian coast. Now Iran is reported to be nearing completion of a missile battery in an underground bunker at Kuhestak, 100 miles north of Ras al-Kuh. The permanent site, according to General George Crist, the commander of US forces in the Gulf, will have a range of 57 miles and a five-minute readiness to fire.

For the Armilla patrol these new installations will only up the ante in a war of nerves where instant readiness and an equal degree of instinctive self-restraint are crucial elements. British naval crews stay on defence watches *for the entire time the* ships are within the "envelope". This can last for up to 12 hours

British crews make no secret of their high regard for the Iranians' proficiency at sea

The courtesies of naval traditions are maintained by hoth sides and everything possihle done to keep the tension down. Their style is in marked contrast to the audible strain of confrontation in exchanges between US and Iranian naval ships, hut the magnitude of the tasks assigned to the British and Americans by their respective governments is not comparable.

Iran's Boghammer speedboats make the most of the shallow waters off the UAE's northern coast, lying in wait in tha shoals and sandbanks and coming out of the low-lying mist at dusk or early dawn. Of necessity the Iranians are masters of shallow-water craft – they have constantly to re-supply installations and platforms at Ahu Musa, the Tumhs, Sirri, Forur and other islands or off-shore rigs.

According to Capt Eades, they have some 50 rig-support ships including hovercraft. "It has never happened," Capt Eades said on board the Beaver, "that a merchant vessel being accompanied has been stopped hy the Iranians with a request to he searched. Although Iran has this right under international law, accompanied vessels are in international waters and they too have the right to be there."

"There is a war going on but it is not our war," another British officer added. "The question is to make sure we do not get mixed up in it. The danger is often misideotification or someone making another kind of mistake."

After the weekend's events, those words seem especially apposite.

Gulf aviation experts yesterday challenged US statements that the Iran Air airliner shot down hy the US Navy was descending towards the cruiser Vincennes, Reuter reports. They said the Airbus was probably climbing when attacked. In London retired Rear-Admiral Robin Hogg said that noise in the Vincennes' command centre may have prevented the captain from receiving a clear assessment of the sitnation.

S African mine deal ends fear of strike

BY ANTHONY ROBINSON IN JOHANNESBURG

THE South African mining industry has been spared another damaging gold and coal mine strike this year following agreement between the Chamber of Mines and the black National Union of Mineworkera on the 1988-89 labour contract. White miners agreed a 12 per cent wage increase last month.

Under the new agreement over 550,000 black workers at mines belonging to the six leading mining houses – Anglo American, Anglovaal, Johannesburg Consolidated Investments Gencor, Gold Fields of South Africa and Rand Mines – will receive pay rises ranging from 13 to 16.5 per cent and the phased introduction of a contributory provident fund. This will provide black miners with pension rights for the first time.

The rise for skilled workers is just below the 13.5 per cent inflation rate although the 16.5 per cent increase for workers on the lowest pay scale means a real increase and further lowering of differentials.

The settlement, effective from July 1, compares with the union's opening demand of 40 per cent across the board, a R350 (£60) per month minimum wage and increased fringe and holiday benefits. This was countered by the chamber's opening bid of 10.5 per cent.

Despite what an Anglo spokesman described as the "businesslike and non-rhetorical tone" of this year's negotiations the talks broke down on June 22. The NUM then called for a conciliation board, the first *stage* in the disputes process which in previous years has culminated in strike action. The chamber refused to raise its final offer or agree to the R350 minimum but indicated room for manoeuvre on the NUM's other main demand, the setting up of a provident fund to provide pensions for black workers.

Under the agreement both employers and workers will contribute 1.5 per cent of wages to the fund, rising to 3 per cent in 1989 and 5 per cent each in the third year.

Agreement on the provident fund provided the face-saver needed by union negotiators who last year led 300,000 miners into a three-week strike which led to more than 40,000 dismissals and estimated losses of upto R400m for the industry.

At the end of last year's strike Mr Cyril Ramaphosa, NUM general secretary warned it was "only a dress rehearsal" for another big confrontation this year. But Anglo and other employers sacked thousands of union activists and shop stewards after the strike and NUM lost 60,000 disillusioned members.

Since then the rank and file have been signalling opposition to another strike this year. The clearest indication of the miners' mood came last month when the overwhelming majority of miners stayed at work while more than 2m other workers heeded union calls for a three-day work stayaway in protest against the banning of black opposition groups and new labour legislation.

Credits ease constraints on balance of payments

BY ANTHONY ROBINSON

SOUTH AFRICA has registered a "gratifying" increase in trade-related, gold-related and suppliers credits in recent months, Dr Gerhard de Kock, Governor of the South African Reserve Bank revealed yesterday in a speech at the Durban Rotary Club.

These increased credits "serve to ease balance of payments constraints on economic growth now that rising domestic demand has, for the moment, virtually eliminated the surplus on current account," he added.

Last week the Reserve Bank announced that the current account registered a R410m (£71m) deficit over the first quarter, the first quarterly deficit for three years, after a surplus of R16.2bn for 1987.

The deficit was mainly due to a marked deterioration of the trade account following a sharp rise in imports and sluggish exports. This was offset however by an improvement on the capital account, Mr de Kock noted.

Tha net capital ontflow declined to R3.1bn in 1987 after deficits of R9.2bn and R6.1bn in 1985 and 1986. During the first quarter of this year the net capital outflow amounted to only R677m and, according to preliminary estimates "remained moderate during the second quarter despite further large debt repayments," he added.

This is partly due to importers switching from domestic to foreign trade related credits following the recent rise in domestic interest rates.

But with gold weak and the trade account still under pressure the authorities still appear to be allowing the currency to take the main strain of payments adjustment until the economy slackens as expected over the second half of the year.

Asean urges Hanoi to support peace talks

By Peter Ungphakorn in Bangkok

SOUTH-EAST Asian foreign ministers ended their annual meeting yesterday by urging Vietnam and the Phnom Penh government it backs to make a success of peace talks to be held in Jakarta later this month.

Ministers representing tha six-member Association of South-east Asian Nations (Asean) – Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand – also called on industrial nations to support an aid plan for the Philippines. But they failed to agree on whether US bases should remain there.

The main achievement of the meeting appears to be a consolidation of an Asean stand on the informal talks which should bring all warring factions and neighbouring countries together in a complicated formula designed to accommodate varied perspectives on who is responsible.

On Monday, Gen Prem Tinsulanonda, the Thai Prime Minister, struck an optimistic note when ha told the foreign ministers "the opportunity for real peace in Kampuchea and South East Asia is at hand".

Later, in an apparent softening of Asean's stand on the talks, Mr Ali Alatas, the Indonesian Foreign Minister, said he and his colleagues had agreed that all Asean countries, Vietnam and Laos should attend the Jakarta peace talks. As a precursor to the Jakarta talks there could be preliminary talks involving the Vietnamese-sponsored Phnom Penh Government and the three members of the resistance coalition.

Hanoi has apparently persuaded Asean that it does not need to participate in the opening round, despite the view taken by Asean and the Kampuchean resistance that the Vietnamese presence in Kampuchea is the real cause of the problem.

The talks will consider the future role of the Chinese-supported Khmer Rouge, one of the factions in the resistance, and whether its former leader, Pol Pot, should stay outside Kampuchea.

Israel closes Palestinian schools

BY ANDREW WHITLEY IN JERUSALEM

THE ISRAELI army yesterday re-closed all 1,200 schools in the occupied West Bank for the next three days, affecting 300,000 pupils taking their end-of-year examinations. Brig Gen Shaike Erez, head of the region's military government, said the decision was intended as a warning to parents.

The schools were only opened last month, after lengthy closures of up to five months, but have, once again, been the focus of anti-Israeli disturbances. Students took part in protests yesterday in four West Bank towns – Bethlehem, Ramallah, El Bireh and Tulkarem.

In a separate development, a top Israeli police officer has revealed an alarming increase in incidents associated with Palestinian nationalism in Israel and annexed East Jerusalem over the past three months.

Mr David Krauss, Police Commissioner, said that over 1,000 such incidents, linked to the uprising in the occupied territories, have been recorded between April and the end of June. Over two-thirds had taken place in Jerusalem and its surrounding villages, incorporated into Israel in 1967.

Ha said there had been 362 cases of stone-throwing, 210 of arson or attempted arson and 126 attempts to establish road blocks. More than 50 petrol bomb attacks had been reported to the police during the three months and 880 arrests had been made.

AMERICAN NEWS

Mexican president in plea for clean polls

By Ivo Dawnay in Mexico City

PRESIDENT Miguel de la Madrid of Mexico has repeated his appeal to voters for "clean, legal and peaceful elections" today amid widespread anger over the murder last weekend of a leading opposition politician and his aide.

The appeal came in a nationwide address on Monday night as opposition leaders of the left-wing nationalist coalition, the National Democratic Front (FDN), were gathering in Michoacan state for the burial of Mr Xavier Ovando Hernandez – a key party organiser charged with monitoring polling stations for ballot frauds.

But the television and radio broadcast was immediately attacked by Mr Cuauhtemoc Cárdenas, the FDN's presidential candidate, for failing to make "a single reference" to the killings which, he claimed, were undoubtedly linked to the election.

In an emergency meeting, Mr Cárdenas received personal assurances from Mr Manuel Bartlett, the Interior Minister, that the crimes would be thoroughly investigated.

Mr Carlos Salinas de Gortari, the candidate of Mexico's long-ruling Institutional Revolutionary Party (PRI) and odds-on favourite for the presidency, joined the minister in condemning the murders. "Nothing justifies an attack on human life," he said.

FDN officials said privately that they were having trouble restraining some supporters from occupying town halls in retaliation at the murder. Senior government officials emphasised, however, that the killings were directly contrary to the Government's interests. "The first to be damaged is the Government, and what hurts the Government hurts the PRI," a leading party figure said.

Meanwhile, the Mexican Government has come under attack from the Gallup organisation which has been told by the government-controlled Federal Election Commission it is banned from conducting an exit poll today.

David Gardner reports on the issues and candidates in today's presidential election

Mexico's reigning party faces unprecedented challenge

MEXICO today holds presidential elections which, for the first time, challenge the monopoly of the Institutional Revolutionary Party (PRI), the longest-ruling non-Communist party in the world. The credibility of these elections is the key to Mexico's future stability and development.

The PRI is unique in that it is not a party which took or won power but a party created in 1929, by the victors of the 1910-17 Revolution, in order to hold on to power.

The regime has won 14 consecutive presidential elections since 1917. It has never lost any of 31 state governorships, or 64 senate seats. It has never had less than a two-thirds majority in Congress and currently controls 97 per cent of Mexico's 2,378 municipalities.

Its legitimacy derives initially from the revolution which overthrew the semi-feudal regime of Porfirio Diaz. Subsequent, widespread acceptance of the PRI monopoly was based fundamentally on high growth, averaging over 6 per cent annually from 1933-81. The 1982 foreign debt crisis, after an oil and credit boom accompanied by mismanagement, arbitrariness and massive corruption, has discredited the PRI irredeemably in its present, corporatist form.

In particular, the 1982 crisis alienated the upwardly mobile middle classes – whose emergence is ironically the regime's greatest success – while its management of the crisis through orthodox, IMF-style prescriptions has greatly impoverished the poor.

President Miguel de la Madrid, who came to power in 1982 – Mexican presidents are limited by law to six-year terms – inherited financial collapse as a result of the $103bn foreign debt, which has been fully serviced. The period has seen no growth and triple-digit inflation in Mexico's worst ever recession. Investment has fallen by a fifth, average real wages by a third, while government spending has been cut in real terms (after inflation) by 10 per cent of GDP.

Mr Carlos Salinas de Gortari, the PRI candidate, as former Planning Minister and economic overlord, would thus be at a disadvantage were it not for the still formidable power of the PRI/state vote machine. His main opponents, dissident PRI leader Mr Cuauhtemoc Cardenas and businessmen's leader Mr Manuel Clouthier, have made historic inroads into the PRI's constituency.

The most reliable opinion polls (an unreliable novelty in Mexico) forecast a modest victory by PRI standards for Mr Salinas, sharply down on the official 71 per cent for Mr de la Madrid in 1982, the lowest score in regime history.

PRI officials say publicly they will get 55-60 per cent, with both Mr Cardenas and Mr Clouthier under 20 per cent. This is a dangerous fantasy of party barons whose regional and trade union power bases are at stake if the PRI becomes the largest minority party. If they rig the ballot to fulfill it, they risk casting Mexico into instability and blocking Mr Salinas' road to reform.

All three candidates are rhetorically united on the need for democratic reform and a clean election, the main issue at stake. Mr Salinas has admitted there has been ballot-rigging in state and local elections and both he and President de la Madrid have promised a fair count. Both regime and opposition analysts agree that ballot-rigging has not affected the outcome of a presidential election since 1940.

The latest internal PRI poll gives Mr Salinas 41 per cent and Mr Cardenas 32 per cent, with Mr Clouthier in the low 20s. A higher than usual turnout of 38m potential voters is expected, in polling which the opposition will watch like hawks.

Salinas: former planning minister and economic overlord

Informal talks with PRI and regime officials indicate that the Government has ordered state governors and party officials to respect the results. If the opposition wins local ballots too heavily, or, less likely, puts the presidency itself at risk, they may "inflate" the PRI tally by a modest maximum of 10 per cent, after consultation with Mexico City, one party official claims.

A senior official argues that "in this election what is at stake is the percentage", or margin of Mr Salinas' victory, who he says will be the first president "without an absolute majority".

The "perception of legitimacy," he goes on, "lies here in the Federal District (Mexico City) and the large cities." Officials appear resigned to losing the northern border state of Chihuahua (won from the PAN by fraud in 1986, they admit), the central pacific conservative enclave of Guanajuato, the towns of Baja California on the Californian border, and the Cardenas stronghold of Michoacan. Most significantly, the PRI might concede Mexico City, where Cardenas is almost certainly ahead, and the PAN is traditionally strong, and where an assembly is being elected for the first time.

Mr Cardenas has also shown strength in depressed southern areas, in less prosperous pockets of the north, and along the heavily unionised Gulf Coast.

The opposition can expect to win 50-70 of 300 first-past-the post seats in Congress, against its record 11 in 1985, and conceivably its first ever senate seats. The number of proportional representation seats in Congress has been doubled to 200, but these seats, initially conceived as consolation prizes for the opposition, are now also available to the PRI, to offset losses in first-past-the post seats.

Mr Salinas' aides have put several party barons at risk in the till now safe overall majority seats, and many of their own reformist sympathisers in the PR seats. This may induce the barons, or "dinosaurs" as they are known, to try to win at all costs.

Salinas: heir apparent of PRI pledges democracy

Mr Carlos Salinas de Gortari, 40, is the candidate of the long-ruling Institutional Revolutionary Party (PRI) and, barring a historic upset, he will be Mexico's next president.

He was handpicked by incumbent President Miguel de la Madrid to succeed him, according to PRI tradition.

Like Mr de la Madrid and his two predecessors, Mr Salinas has made his career entirely in the state bureaucracy, and was Planning Minister 1982-87, in firm charge of economic policy since mid-1986.

An economist with a degree from National University (UNAM) and two masters degrees and doctorate from Harvard, he is universally recognised to have a first-class mind.

His main theme has been a pledge of democracy and clean elections, under the campaign slogan of "modern politics," and he defines his position as "progressive centre." His chief tasks will be to convince Mexicans that he won cleanly ; to introduce democratic reform; to dismantle the PRI as a corporatist pyramid and to make it a credible, competitive party; and to restore growth.

Cardenas: uniting the left against the ruling regime

MR Cuauhtemoc Cardenas has, for the first time, united Mexico's nationalist left and orthodox left – the National Democratic Front (FDN) and Mexican Socialist Party (PMS) – in coalition against the PRI regime. His Democratic Current faction, the creation of former PRI president Mr Porfirio Munoz Ledo, split with the ruling party last year, the worst schism in its history.

Mr Cardenas's main theme is democratic reform. He has has turned this into an election about democracy, building the biggest mass movement ever against the regime which links town and countryside for the first time.

He is the son of the late General Lazaro Cardenas, a dominant political figure who as President from 1934-40 expropriated the oil industry and distributed land to peasants. Gen Cardenas forged a popular front which was moulded into the corporatist "three sectors" of the PRI (workers, peasants and bureaucrats).

Mr Cardenas, 54, is a former deputy Agriculture Minister, senator, and Governor of his home state and western stronghold of Michoacan. He is a civil engineer, educated at National University (UNAM)

Clouthier: populist and champion of enterprise

MR Manuel Clouthier, 54, is the candidate of the right-wing National Action Party (PAN). The PAN was founded by former regime intellectual Manuel Gomez Morin in 1939 in opposition to General Cardenas's "socialism".

The PAN has traditionally defined itself by what it is against, but Mr Clouthier has tried to make this election a choice between democracy and the authoritarianism of the PRI.

An agricultural engineer from the MIT-style Monterrey Technological Institute, Mr Clouthier is a landowner and businessman, head of the "Northwestern Group" from the rich northern Pacific state of Sinaloa, where he owns 14 businesses and 5,340 hectares.

The PAN's vote, which has never officially risen above 16 per cent, is based on the urban middle classes and is concentrated in the North and the Pacific Bajio states. Mr Clouthier has tried a populist approach to expand this essentially protest vote, and has drawn some big crowds. Strongly pro-American and free enterprise, he would close down several ministries, privatise more and favour foreign investment.

Inquiry by SEC into airship bidding

By Lionel Barber in Washington and David White in London

THE Securities and Exchange Commission and the FBI are investigating the award of a $170m US Navy contract to build a radar surveillance airship.

Westinghouse, the US engineering and defence contractor, joined forces with a British company, Airship Industries, to stave off a rival bid from Goodyear Aerospace, acquired during the competition by the Loral Corporation.

At one point, the bidders hoped for a final order for 48 airships worth up to $8bn.

The investigations centre on whether leaks of information from the US Navy affected trading in the shares of Airship Industries.

The company, which is 47.6 per cent owed by Bond Corporation of Australia, is traded in New York on the Nasdaq board in the form of American Depository Certificates equivalent to 30 ordinary shares. These rose sharply just before the contract was awarded last June.

Weeks before the contract winner was announced, the shares soared from $16 to $31 after a London Sunday newspaper correctly predicted the outcome of the bidding.

Investigators want to know if the information was planted to lift the share price which is now trading near $4 in the US and under 10p in the UK.

Westinghouse said yesterday it was co-operating with the SEC investigation, but a spokesman would not comment on the use of consultants in the bidding – which has also aroused the interest of the FBI.

Federal investigators are examining whether the contract fits a pattern of widespread fraud in the Pentagon procurement process.

A nationwide inquiry – including the issuing of almost 300 subpoenas – is looking at the relationship between Pentagon officials, private contractors and consultants who allegedly trafficked in classified information to win big defence contracts.

Airship Industries said yesterday it had no reason to believe it was a target of the US investigation into alleged bribery and fraud.

"The FBI have not made it known to us that they are concerned about our involvement in the programme," the company said. Investigators in the Pentagon corruption case had made no direct contact with the company, he said.

The SEC investigation appeared not to involve the company itself or its staff, Airship Industries added.

"We fully co-operated in the investigation," the company said. "As far as we are aware, the SEC no longer has any concern about any employee of Airship Industries."

Contras 'kill 12 in ambush'

NICARAGUA yesterday said US-backed Contra rebels killed 12 people in an ambush on two military trucks, violating a ceasefire in effect for the past three months, Reuter reports from Managua.

Rebels detonated an anti-tank land mine in the path of the trucks on Monday, on a road 78 miles east of Managua in the central Nicaraguan province of Chontales, a Defence Ministry statement said.

Seven of those killed were civilians and the rest soldiers, the statement said.

It said another 10 people were wounded in the attack, which was described as the work of rebels loyal to Contra military leader Mr Enrique Bermudez.

The Government says while some rebel groups are observing the truce, Mr Bermudez is opposed to peaceful solutions to the conflict and favours a full-scale resumption of the war.

A ceasefire has been in effect since April 1, the result of a preliminary peace agreement signed in March. But talks to follow up on that accord collapsed on June 9 and since then military tensions have risen.

The rebels have not yet responded to a proposal by the left-wing Sandinista Government for a new meeting later this month.

The Defence Ministry said in a separate statement on Monday that despite the ceasefire, 111 people had been killed in sporadic combat over the past three months, including 87 Contras, 15 government troops and nine civilians.

● AP adds from Managua: Mr Jorge Rosales, Contra spokesman, said he did not have any information on the attack but added: "Our units have instructions not to attack but to defend themselves. I am seriously concerned about this campaign to create incidents to justify whatever action against our units."

Mr Rosales noted that Mr Humberto Ortega, Defence Minister, threatened the Contra leaders if they failed to sign a treaty during the last round of talks in June and said the latest report "reflects those threats."

The leftist Sandinistas and the rebels agreed on March 23 to seek a negotiated settlement to the war.

The Government and the rebels have reported sporadic violations of the truce since March. A series of talks failed to advance the agreement. No new talks were scheduled.

Thirteen dead in guerrilla attack on Peruvian army

LEFT-WING guerrillas killed 13 Peruvian soldiers in an ambush on a troop convoy in the jungle and army patrols killed 18 rebels in clashes high in the Andes, a military statement said yesterday, Reuter reports from Ayacucho.

The statement said rebels lobbed hand grenades at a military truck as it returned from a civic action programme on Sunday near the town of Tingo Maria.

The town lies in a jungle region 350km north-east of Lima where cocaine-producing plants are grown.

It said that two lieutenants, three sergeants and eight soldiers died in the attack and three soldiers were wounded.

The pro-Sendero Luminoso (Shining Path) newspaper El Diario said that Sendero guerrillas attacked the "repressive forces" but the army statement did not say which of Peru's two guerrilla groups were responsible.

It said soldiers in Ayacucho province killed 15 Sendero guerrillas in combat last Thursday in the mountains of Corihuarihuaira.

They also killed three other rebels on Saturday in Runahuajusca.

Ayacucho, 360km southeast of Lima, is the cradle of the Sendero movement.

The prolonged guerrilla war of Sendero Luminoso has caused more than 10,000 deaths and $5.7bn in damages since 1980.

United States condemns killing of Cardenas aide

THE UNITED STATES yesterday condemned the killing of a senior assistant to the leading opposition presidential candidate in Mexico's elections, Reuter reports from Washington.

The State Department said that it hoped the elections, due today would proceed without disorder despite the weekend murder of Mr Francisco Xavier Ovando, election coordinator for Mr Cuauhtemoc Cardenas, the leading opposition candidate

Mr Ovando, 41, who had been in charge of collating voting results and fraud allegations on election day, was found dead in his car in Mexico City along with his assistant.

"We deplore this act of political violence and we hope that the elections will proceed in an orderly way," Ms Phyllis Oakley State, Department spokeswoman said.

Mr Cardenas and other opposition politicians have charged that the murder was politically motivated.

Opposition leaders have accused the ruling Institutional *Revolutionary Party of preparing* electoral fraud to guarantee victory for Mr Carlos Salinas de Gortari, its candidate.

WORLD TRADE NEWS

Volvo seeks Isuzu deal to sell trucks in Japan

BY ROBERT TAYLOR IN STOCKHOLM

VOLVO Truck Corporation, the world's second largest heavy-trucks manufacturer, hopes to reach agreement with Isuzu Motors this autumn for the import and sale of its vehicles in Japan. The two companies yesterday signed a letter of intent, agreeing to start a feasibility study.

This is one of the first attempts by a European truck maker to break into the Japanese market.

Mr Sten Langenius, president of Sweden's Volvo Trucks and Mr Kazuo Tobiyama, president of Isuzu Motors, said the companies could go on to co-operate in other areas, though they did not specify which.

"The only way to get into the Japanese market is to co-operate with a Japanese manufacturer," said Mr Langenius. "We calculated that there was room for us in the enormous Japanese market." He pointed out that Mercedes of West Germany has said it hoped to reach a similar agreement this autumn with a Japanese manufacturer to import heavy trucks into Japan.

Isuzu is one of Japan's leading vehicle manufacturers and produced 541,583 vehicles last year, of which 344,041 were commercial trucks.

General Motors holds 40 per of Isuzu and the US company is also linked with Volvo through a joint heavy truck venture in which GM has a 24 per cent stake and Volvo 76 per cent.

In May the Volvo parent company announced agreement for the sale of its cars in Japan through the distribution network of Fuji Heavy Industries. It said it hoped to sell at least 6,000 cars a year in Japan by 1990.

The company's truck subsidiary is enjoying substantial success, thanks to exceptionally strong demand for its product range. Last year operating profits of Volvo Trucks rose by 50 per cent to a record SKr1.6bn ($273m). The company is planning to expand its production capacity both in North America and Europe.

It believes that its financial performance this year will be at least as good as in 1987, particularly with the co-operation between Volvo and General Motors in North America.

NZ apples to exceed EC quota

BY TIM DICKSON IN BRUSSELS

THE European Commission yesterday confirmed that exports of New Zealand apples to the EC in 1988 would probably exceed the 115,000 tonne quota laid down by Brussels in its controversial action against southern hemisphere exporters earlier this year.

The higher quantity of licences likely to be issued to the New Zealand Apple and Pear Board is being seen by the Wellington Government as a concession by the EC, though the Commission appeared to indicate last night that the move was the result of an administrative slip.

"It was not deliberate," he insisted. "It was the consequence of the system of licensing which is not 100 per cent watertight."

The exact quantity accepted was not clear last night but it appears that the Apple and Pear Board has successfully applied for a figure between the 115,000 EC limit and its own 135,000 tonne estimate before the measure was applied.

The Commission's decision to implement so-called safeguard measures in April against apples from Chile, South Africa, New Zealand, Argentina and Australia caused an outcry in the countries involved and led the New Zealanders to lodge a complaint under the General Agreement on Tariffs and Trade.

The producers say the measures contravene the spirit of the "standstill" agreement reached at the outset of the current Gatt round of global trade talks, that EC farmers already enjoy adequate tariff protection, and that there is clear consumer demand for their products.

According to the Commission, South Africa (166,000 tonnes) and Argentina (70,000 tonnes) have already reached their limits, while the Australian quota of 11,000 tonnes has not yet been filled. A bar on further Chilean imports beyond 142,000 tonnes was imposed in April.

Moscow in trade deficit with West

A SET of disappointing trade figures has highlighted the Soviet Union's persistent problems with its exports, Reuter reports from Moscow.

Soviet and Western analysts say an improvement in trade is essential to the success of Soviet leader Mr Mikhail Gorbachev's drive to reform inefficient and uncompetitive industries.

But in the first three months of 1988, the Soviet Union ran a trade deficit with the West of Roubles 1.04bn ($1.62bn) compared with a surplus of Roubles 562.4m in the same quarter of 1987.

Western analysts in Moscow said the fall was probably due to lower oil prices. Sales of oil, oil products and gas account for the bulk of Soviet exports to the West.

By the year 2000, exports are targeted to increase in volume by 2.2 to 2.4 times and Soviet economists have stressed recently that altering the mix of exports should be a priority to avoid depending on the unstable oil market.

But Soviet consumer products, whose main market abroad is in Eastern Europe, are often poorly designed by Western standards.

A joint venture law, which allows foreign companies to set up businesses with Soviet enterprises, is designed in part to introduce Western business expertise and technology.

But analysts in Moscow said relatively few of these new businesses had started production and it was too early for them to have had any effect on the economy.

India signs $45m Control Data contract

BY JOHN ELLIOTT IN NEW DELHI

CONTROL Data Corporation of the US has signed a $45m contract with India to transfer technology for its Cyber 930 mainframe system, in place of an *earlier $30m contract for an older* model.

This is part of a big increase in US involvement in India's rapidly expanding computer market. Companies such as Apollo, Hewlett Packard, Bell, Wang, Apple, Texas Instruments and Microsoft are among those setting up, or exploring, manufacturing and software partnerships.

India is also buying a Cray X-MP supercomputer.

During 1987 the US Department of Commerce approved more than 3,900 high-tech export licences worth $563m. These included 1,520 licences worth $348m in the electronic computing equipment category.

CDC was chosen two years ago in preference to Bull of France for a $30m contract to transfer technology and produce Cyber *180/810 and 830 mainframe* systems with the government-controlled Electronics Corporation of India in the southern Indian city of Hyderabad.

The Cyber 930 has now been substituted and the earlier models are being dropped. India has persuaded CDC not to raise its unit costs, although the value of the contract has gone up from $30m to $45m because of the model change.

India expects to import about 30 complete 930s later this year. Production in Hyderabad, largely from imported components, will start a few months later. The 930 will compete against models produced in Pune, near Bombay, by ICIM, an offshoot of ICL of the UK which is planning a big expansion of its operations in India.

The spurt of US sales began at the end of 1984 when India started opening its doors to foreign electronics collaborations. Domestic computer production has been growing annually by around 200 per cent in recent years.

New links with other countries include a joint venture signed last month between Olivetti of Italy and part of the Modi business house of New Delhi to produce personal computers.

India and the US signed a memorandum of understanding on high-tech sales in November 1984. This gave the US the assurances it needed about the computers not being used for nuclear or defence work, nor leaked to the Soviet Union.

But the US is still sensitive about India's motives. It has not yet approved a request for the Cray X-MP14 single processor supercomputer, which India is buying for use in Delhi on monsoon forecasting work, to be upgraded with a second processor. Talks have recently started on this.

India also wants a second supercomputer for its Indian Institute of Science in the southern electronics centre of Bangalore. This is causing some concern in Washington because it could not be as easily monitored as the monsoon, computer in Delhi.

US-Soviet grain accord talks set to open

BY JUDY DEMPSEY IN VIENNA

SOVIET and US trade delegations open talks in Vienna tomorrow on a new bilateral long-term grain agreement. The talks will focus on how far the US Government is prepared to subsidise grain exports to the Soviet Union and how much Moscow is prepared to commit itself to buying fixed amounts of grain each year from the US.

Under the terms of the five-year agreement which expires on September 30, the Soviet Union was committed to buying a minimum of 8m metric tonnes of US corn and wheat and an additional 1m tonnes of grain per year. It also had the option to substitute 1m tons of grain for 500,000 tons of soya products.

However, after a round of talks in Washington last March, it seems the US wants to try to increase the minimum Soviet purchases in any new agreement.

The Soviet Union on the other hand, instead of being tied to fixed amounts, is seeking more flexibility in deciding on the size of annual purchases.

In Washington, the Soviet Union also wanted its purchase commitment reduced to an annual 6m tonnes and some flexibility in selecting secondary crops which, combined with other purchases, would still make up the annual purchase commitment.

This could cause some short-term problems for the US. The recent drought has hit the soya bean crop badly and stocks are extremely low. Officials in Vienna say Washington might be reluctant to show flexibility in this area.

The US provides 30 per cent of the Soviet Union's grain imports.

Nancy Dunne in Washington adds: The drought, now spreading across the US heartland, must influence the talks although US officials say American production next year can easily be expanded to make up for this year's losses.

Mr Clayton Yeutter, the US Trade Representative, suggested that uncertainty about US grain supplies could make Moscow more accommodating. He said: "To the degree that the drought brings to [Soviet] attention again that supplies are not always predictable, it may help us a bit."

However, recollections of the Great Grain Robbery of the mid-1970s could haunt the US negotiators. The US Government secretly sold its grain surplus to Moscow, at subsidised prices, while the Soviet Union was making a killing on the Chicago Board of Trade. The controversy grew as domestic food prices soared.

With government-held stocks depleting rapidly, US negotiators would be taking a huge gamble if they promised to sell large amounts of grain – with any subsidies – this year.

● Schauman, the Finnish forest industry company, has signed a joint venture deal with another Finnish company and the Soviet forest industry ministry to build a plywood mill near Novgorod in the Soviet Union, Reuter reports from Helsinki. Total investment will be about FM200m ($46.5m).

Novgorodlesprom, the Soviet regional forest industry group, will hold 70 per cent of the shares and Raute Oy, the Finnish machine maker, and Schauman 15 per cent each.

Ridley puts forward plans for low cost rural housing

BY ANDREW TAYLOR

THE Government moved yesterday to encourage the development of small villages of no more than 1,000 homes as a way of overcoming housing shortages in rural areas.

The proposals, published in a consultative paper, are likely to be incorporated in a planning policy guidance note which would be issued to local authorities and developers, Mr Nicholas Ridley, Environment Secretary said yesterday.

He also announced plans to increase the availability of low cost housing in villages by making more funds available to housing associations in rural areas.

Initially the axtra money would be found from existing, public sector hudgets administered by the Housing Corporation and the Rural Development Commission.

Other money would be expected to come from private investors; under the Housing Bill, the latter would be expected to provide a much greater proportion than hitherto of housing association funds.

Mr Ridley said increasing numbers of people wanted to live in the countryside. This meant increased demand for homes in many rural areas – not just in south-east England, where Mr Ridley's recent decision to allow more housing provision has angered local residents, environmentalists and supporters of his own Conservative Party in both local and central government.

Mr Ridley suggested that some of the demand for rural housing might be met by modest extensions to existing villages or by building new small villages. He said developments would not be acceptable in the protected Green Belt areas around major cities or areas of outstanding natutal beauty.

The consultative paper criticises previous attempts to restrict development and investment in local facilities to a few key settlements in rural areas, to the detriment of smaller villages and hamlets.

It says developments in future should be steered well away from conurbations and other large urban areas and will be expected to comply with the Government's objective of conserving the countryside. Developments in the south-east, it says, should be well beyond the onter boundary of the metropolitan Green Belt.

Home loan rates increased

By Richard Waters

Barclays Bank yesterday became the first major mortgage lender to increase its home loan rate in the wake of the recent series of base rate rises, heralding big increases ahead for all mortgage borrowers.

Barclays' rate has gone up by 1.35 percentage points, from 9.75 per cent to 11.1 per cent.

"We still think that ours will prove to be a competitive rate," said a spokesman for Barclays, which has lent £5.9bn to home owners.

Other major lenders continued to insist yesterday that they would not move their rates until it was clear whether further changes in base rates were on the way, despite the series of five increases that had taken base rates up to 10 per cent by Monday.

Building societies in particular continue to be confident that they can afford to wait. Deposits are buoyant due to the diversion of funds that would have gone into equities were it not for last year's stock market crash, allowing them to hold down rates paid to investors and taking the pressure off mortgage rates.

Mr John Bayliss, general manager of Abbey National, the second largest society, said yesterday that rates paid to investors would rise on 1 August, but that mortgage rates might be held down longer. "We might decide to use a bit of our reserves for competitive reasons," he said.

This marks an intensification of Abbey's battle to undercut the Halifax, the leader in the mortgage market. The Halifax has already announced that its mortgage rate will probably go up to between 10.75 and 11.25 per cent on 1 August.

The lack of pressure on the societies is halping them to recover some of the ground lost to specialist, wholesale-funded institutions which took a large slice of the new mortgage market last year. One snch company, The Mortgage Corporation, yesterday announced immediate increases of nearly 1.5 percentage points in its various home loan products, with a top rate of 11.19 per cent.

BBC reaches £13m TV football accord

BY RAYMOND SNODDY

THE BBC yesterday reached a £13m agreement with representatives of Britain's football authorities to televise live football for the next four years.

The agreement, which will be put before the management committee of the Football League today, would operate alongside the proposed partnership between the Football League, the Football Association and British Satellite Broadcasting, the UK's £625m direct broadcasting by satellite venture.

The Football League said last night that the BBC and BSB arrangements would guarantee football a minimum of £39m over the next four years.

The BBC's willingness to do a deal, despite the involvement of BSB with the football authorities, will put additional pressure on the independent television companies. They have offered £10m over two years to televise the "top ten" clnbs.

There are fears that any such unilateral deal with the ITV companies it could result in the break up of the Football League and the creation of a "snper league." ITV representatives are due to meet chairmen of the leading clubs later this week.

The BBC agreement, which has to be ratified by all the clubs, makes clear it will last only as long as the league continues in its present form.

SAS men unlikely to attend inquest

By Peter Bruce in Gibraltar

THE SEVEN British Special Air Service (SAS) soldiers involved in the killing of three IRA terrorists in Gibraltar in March appear unlikely to give evidence at the inquest into the deaths.

This follows a decision yesterday by Mr Felix Pizzarello, the Gibraltar coroner, to reject appeals from London for the SAS members to be screened totally from the public, press, jury and lawyers should they give evidence.

He ordered them screened from the press and public only.

He also gave only vague approval to British efforts to limit the scope of the inquest, which is due to begin in the colony on September 6.

Mr Pizzarello's decisions, at the end of a preliminary hearing, were greeted as "solid and sensible" by lawyers for the families of the dead terrorists. But they pose serious difficulties for the Government.

On Monday lawyers for the SAS members suggested the soldiers would not coma to Gibraltar to appear at the inquest without full screening.

However, that could dash the Government's hopes that the result of the inquiry would be credible.

The Ministry of Defence said last night it was "still considering" the implications. The initial reaction within the ministry was that it was unlikely the men would attend because of the risk of identification.

A spokesman for Prime Minister Margaret Thatcher's office said the Government would consult its lawyers and those representing the soldiers before deciding whether to give advice to the men and what that advice should be.

He suggested that the Government "may say you cannot attend rather than you must attend." The Government's priority was "the safety and security of the forces involved and their families."

Officials are particularly concerned that terrorists could attempt to persuade jury members by either force or cash incentives to give precise descriptions of the seven men.

INVESTMENT FIRMS URGED TO SEE BENEFITS OF NEW REGIME

Rulebooks seen as shield for City

BY CLIVE WOLMAN

FT CONFERENCE

Financial Services Act : legislation in action

INVESTMENT FIRMS should be thankful for the detailed and complex rule books of the Securities and Investments Board and the five self-regulating organisations (SROs) under the new investor protection, Mr John Morgan, chief executive of the Investment Management Regulatory Organisation, said yesterday.

Speaking at a Financial Times conference, Mr Morgan said that the detail of the rulebooks was necessary because when "people's actions may lead them into infringement, and consequent penalty, they are entitled to know in advance, as precisely as possible, what is and what is not permissible.

"Those who complain about the complexity of statutory drafting have missed the point; they should compare that situation with those jurisdictions where the law is case in more generalised and cautionary terms, and be thankful."

Mr Morgan also tackled the proposal that the SIB's rules, which serve as a benchmark for those of the SROs, should be redrafted as more general statements of principle. It would be difficult for the SIB to judge wbetber the SRO rulebooks offered an equivalent degree of investor protection, as required by the Financial Services Act.

"Equivalence would be aiming at an undefined target," he said, and the system would become inconsistent between SROs and unpredictable for the investor. The SIB would have to spend much more time in monitoring the SRO's day-to-day application of its rules, he suggested.

Sir Martin Jacomb, the former depnty chairman of the SIB and current chairman of the securities firm Barclays deZoete Wedd, said that the collapse of the Barlow Clowes investment firms owing investors £180m "is a vindication of the new regulatory system," of which he has previously been a trenchant critic.

But he said that it would be unfortunate if the case prevented moves to "roll beck the excessive weight of regulation."

He also denied that regulation would drive business away to other countries, "provided it is exercised in a sensible fashion". The Eurobond market came to London, he said, not because of its absence of regulation hut because of the tax penalties in New York.

Similarly, business had not flowed from the rigorously regulated US commodity markets to the lightly regulated ones in London, he said.

Sir Martin also argued that the separation of banking snpervision from secnrities regulation was a particular advantage of the new structure. The main objective of banking supervision was to prevent the domino-like collapse of the banking system whereas securities regulation was designed to protect the interests of customers. The way in which the October 19 collapse was handled, demonstrated the soundness of the system and its ability to insulate or limit the exposure of banks to the securities industry.

Mr Glyn Jones, a consulting partner in the financial services gronp of Deloitte Haskins and Sells, said that in the rush to meet the reporting requirements of tbe new regulatory bodies, investment firms had made a lot of short cuts.

As a result, many firms were continuing to suffer from the poor quality of data about their risk exposure and costs, difficulties in monitoring their changing capital requirements during the working day and overnight and an inability to take advantage of the more complex metbods allowed by The Securities Association for calculating risk exposure and capital – particularly when options and futures contracts were used.

Mr Robin Hutton, director general of tbe British Merchant Banking and Securities Houses Association, suggested that it was unrealistic to expect a single, unified system of investor protection and regulation to be installed in the European Community by 1992 or even later.

At most, the process of harmonisation could be started, be said.

Mr John Butcher, the Parliamentery Under-Secretary of State for industry and consumer affairs, said that tbe Financial Services Act was drafted to ensure that it would he fully compatihle with likely developments in Europe.

The Securities Association, the largest self-regulating organisation under the new investor protection system, said it might defy the Securities and Investments Board in a growing controversy over the 220 foreign banks with securities operations in their UK branches.

Mr John Young, TSA chief executive, said the association was prepared to be more pragmatic than was suggested hy SIB guidelines.

He said 220 foreign hank branches had applied for authorisation as investment businesses under the Financial Services Act. They included "some of the best known and most prestigious US firms and whole communities of bankers working in the securities field, for example, the Japanese." It also included 50 applications from European Community countries.

Despite the pedigree of most of them, they were in danger of failing to be granted full authorisation unless they changed their corporate structure Mr Young implied. All had interim authorisation as a holding measure.

The SIB's view, spelt out in a document published three months ago, was that the capital of a firm would have to be monitored by a regulatory authority in its home country. However, the SIB said it would not accept a firm whose regulator was not adopting high enough standards, or if the regulator was unprepared or unahle legally to sign a memorandum of understanding with the UK authorities requiring a regular and detailed exchange of information.

Government challenges insider deal ruling

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE COURT of Appeal is to be asked to overturn a Crown Court ruling that appeared to expose a massive loophole in the Government's attempt to curb what has been described as "the evil of insider trading."

Sir Patrick Mayhew, QC, the Attorney-General, has referred to the criminal division of the Court of Appeal the case of Mr Brian Fisher, a former stockbroker acquitted on two charges of insider dealing.

The case, for which no hearing date has yet been fixed, will require the appeal judges to interpret the meaning of one word in the 1985 Company Securities (Insider Dealing) Act.

Mr Fisher, the first person to fight a Department of Trade and Industry prosecution under the Act, was alleged to have bought 6,000 shares in Thomson T-Line hours before the announcement of a takeover bid, on the strength of unpublished price-sensitive information he had obtained.

Judge Gerald Butler was told that Mr Fisher, acting for a business consortium, had approached Thomson T-Line with an offer to buy.

While the offer was being discussed by the company, its chairman made a private sale arrangement.

A director of Kleinwort Benson, the company's financial adviser, told the court that she had felt she had an ethical responsibility to advise Mr Fisher of the arrangement.

Section 1(3) of the Act makes it an offence for a person to deal in shares on the hasis of unpublished price-sensitive information "whicb he knowingly obtained (directly or indirectly) from another individual..."

Judge Butler decided that Mr Fisher had not "ohtained" the information about Thomson T-Line but been given it "without any opportunity for him to prevent tbat information being passed on."

"Ohtaining" in the context of insider dealing involved "actively seeking or acquiring information," the judge said.

The dictionary definition of "ohtained" made it clear that it did not mean to "accept or receive" but rather to "obtain or procure as a result of purpose and effort," said Judge Butler.

Flexible access telephone network to be expanded

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

BRITISH Telecom is planning a £300m investment to extend its special flexible access business service from the City of London to several large cities.

The decision to expand the flexible access network follows the installation of the first system last year to help cope with the sudden demand for private telephone circuits in the City of London following the deregulation of the financial markets.

BT completed this first £43m programme earlier this year and is engaged in a further £30m investment to extend the network in the City. The company expects to complete these projects over the next 18 months, after which it intends to move into a programme for provincial centres, coocentrating initially on Birmingham, Bristol, Edinburgh, Glasgow, Leeds and Manchester. It will also expand services in London's West End and Westminster districts – respectively the capital's leisure and administrative centres.

Initial contracts for the expansion in the provinces have already been awarded to STC, the electronics and computer group that has pioneered work on the multiplexing technology behind flexible access networks.

Multiplexers fit onto the end of a fibre optic telephone cable and control the transmission of messages from the subscriber's premises. Their flexibility comes from the use of software in central network control offices which allows the operator to dedicate circuits to a particular operation. This is done remotely and circuits can easily be adapted to different uses, so that a client might use a telephone line for speech during the day and for data at night. The service is sold at the moment only to business users with large telecommunications needs.

STC has supplied the mutiplexers for the first two phases of the City network and has won the initial contract for the provincial programme in competition with APT, the company jointly owned by American Telephone and Telegraph and Philips of the Netherlands. APT, which has just built a new multiplexer plant in the UK, said yesterday that it had been in discussion with BT for some time.

STC expects to receive orders worth at least £100m for the provincial programme.

● Vodafone, which has one of the UK's two licences for mobile telecommunications, has placed orders worth £50m with two manufacturers to supply it with infrastructure for a new digital network.

Orbitel, a joint venture between Racal, Vodafone's parent, and Plessey, another British electronics company, has been chosen to supply equipment for London and the south of England. Ericsson, the Swedish company, will supply equipment for the Midlands and the north of England.

Vodafone's digital network is planned to come into operation from 1991, when it will gradually replace the existing system, and will be part of a pan-European network.

Securities house calls for brake on consumer credit

BY RALPH ATKINS

THE GOVERNMENT should introduce credit controls and stop money leaking from the housing market into consumer spending, says a leading securities house.

SBCI Savory Milln says that consumers are increasing spending by, for instance, obtaining loans on the value of rising house prices. It argues that Mr Nigel Lawson, Chancellor of the Exchequer, needs to send a clear signal to the personal sector to moderate its spending.

In a paper on the case for controls on credit and house lending, it argues that any further increase in spending, fuelled by borrowing, may lead to inflationary pressures in the economy or to leakages into imports and a big deterioration in Britain's trade position.

However, Dr Gerard Lyons, chief UK economist at Savory Milln, says it would be wrong to try to dampen consumer spending in the short term just by raising interest rates.

Dr Lyons suggests a series of measures that could control credit or leakages from the housing market without affecting economic activity.

These include limits on the amount consumers could borrow or financial institutions lend to individuals and restricting loans being given to homeowners on the basis of the underlying rise in the value of their property.

ELECTRICITY PRIVATISATION

A mission to provide power for the people

In the second of three profiles by FT writers on the soon-to-be-privatised electricity boards, **MAX WILKINSON** *looks at Eastern Electricity. He finds it shaping up optimistically to the brave new world of shareholders end profits.*

IF YOU follow the curve of the drive from the gatehouse to the rhododendron bnshes near the croqnet lawn, with the river Orwell winding below towards Pin Mill, there on the hrow of one of England's loveliest slopes you will find Eastern Electricity.

Not all corporate headquarters tell you much about their business; but it is easy to believe that this former country seat, with its well-tended grounds and portraits hanging in the hall and landings, expresses at least something of the spirit of Eastern.

Perhaps the purchase of the building after the Second World War was an attempt to transplant "noblesse oblige" into a state monopoly. Perhaps more subtly, it was meant to inspire managers with the idea that electricity is a superior type of energy and eastern England a fine place to sell it. Perhaps this was mixed with the tendency of nationalised bodies to make life pleasant for senior staff.

Electricity executives are not on the whole fanciful people – many are engineers more used to calculating kilowatts and entropy than such speculations. On the other hand, it is hard to talk about the business for more than a few minutes without moving into the realm of ideals.

Mr Jim Smith, an impressively analytical Scot who is chairman of the board, believes he has a mission to help improve the efficiency of companies which are wasting money using gas or oil for processes which can be carried out more efficiently with electricity.

"For some drying techniqnes we have been able to demonstrate a 60 per cent to 90 per cent saving in energy," he says. He believes that many overseas competitors of British companies have gained an advantage hy using more electricity, and he wants to help narrow the gap.

The latest annual report says rather grandly that the board is committed to a "Quantum Leap strategy" to increase sales. But why should Eastern want to sell any more electricity when profits all go to the Government and prices are set administratively to recover costs? Mr Laurie French, the planning director, a studious man in his early 50s, besitates only for an instant: "The reason is that either a company grows, or it dies."

Even for Eastern Electricity, serving an area from the Wash to the Thames, where demand is relatively huoyant, it is easy to see why this is so. For managers running the board's six areas, profit has until now been a relatively meaningless concept. The board, like its 11 fellows in England and Wales, works to a government-set rate of return on capital and an efficiency target.

The area managers, typically with 1,000 staff serving about 350 times as many customers, must contrihnte their share of improved efficiency each year. They must draw up a detailed bndget for capital spending on new power lines, substations and showrooms, which might total around £10m a year on turnover of about £300m.

Each area is thus a substantial business. However, it is not a profit centre because all important investment decisions must be passed up through the committee of full-time executives to the main board. This consists largely of part-timers including a farmer, an academic, an industrialist, an accountant and a trade union official.

One of the functions envisaged for the board at the tima of nationalisation in 1949 was to act as a guardian of the public interest. Since the board sets prices to cover costs, plus the required return, it needs to be sure that capital is being wisely spent. So it acts rather like a regulator for private sector monopolies. In practice the board rarely rejects a proposal but its central role, the monopoly nature of the business and the statutea preventing diversification all limit the scope for local initiative and profit.

What remains? The electricity engineers' creed is to bring power to the people as reliably as possible. Switchgear must not fail. Back-up circuits must be ready. Men must go out on cold dark nights when the lines are down. Eastern is proud of its record in supplying 99.98 per cent of the demand put upon its system. In recent years the traditional imperative of keeping the lights burning has been supplemented by a drive for cost effectiveness and a campaign to he more responsive to individual customers.

Partly because of extensive use of computers, Eastern has become the most efficient of tha boards in terms of manpower per unit sold. It regards this "league" competition as one of the most important spurs to further effort.

Eastern Electricity	
1986-87	
Customers	2.82m
Employees	8,820
Sales - Electricity	£1.21bn
Other	£0.11bn
Net assets	£1.17bn
Net return on assets	4.4%

Bnt tha corporate aonl demands to be satisfied by some larger vision than doing the present job well. For many companies, the drive is for profit. At Eastern it is growth. The board has had a fairly long tradition of aggressive marketing, which has been carried forward zealously under Mr Smith.

Since 1982, sales have been increasing steadily in all three sectors of the market, domestic, industrial and commercial. The 4 per cent rise in total demand in 1986-87 compared with the previous year hardly qualifies as a qnantum leap, especially as it closely tracks the improved prosperity of the economy.

Nevertheless, growth has reflected Eastern's efforts to persuade industrial companies to switch from other fuels, and its emphasis on aelling larger domestic appliances in its 121 showrooms. Mr French concedes that it is "an interesting question" whether this expansionism runs counter to the national interest in conserving energy.

His answer is that the board does help consumers to economise on electricity where possible, because it regards this as the best way of gaining their confidence. It remains to be seen whether the Government will try to huild a more positive financial incentive to promote conservation after privatisation.

Because of this vigorous marketing tradition, Eastern believes it is in good shape to meet privatisation without major discontinuity. However, Mr French, who has been planning for the breakout from the puhlic sector, says it is not clear yet how the Government's regulatory regime will change incentives.

For example, going for greater sales of electricity may well prove the best way of increasing profits, but until the details of price control are spelled out, the board will not be able to judge whether it should divert more of its anergy into other activities, for example showroom sales.

It seems fairly obvious that Eastern, like other boards, will need to adapt its corporate structure to the new environment. Mr Smith believes the number of non-executive members is likely to be reduced from eight to perhaps three or four, with a corresponding increase in full-time directors. In time, he expects a devolution of authority to local areas and probably the establishment of profit centres.

The changes may not need to be abrupt. After privatisation the board will still be serving the same customers and will start with guaranteed supply contracts with private generating companies under-written by the Government. Over time it will need to develop skills in writing contracts for new power supplies, finance, taxation, planning and law as well as investor relations. But Mr Smith thinks he will be hiring "only tens of people rather than 30s and 40s."

In the longer term the board might need whole departments to lead the march into new territories of private enterprise. But for the moment the twilight gathering over the Orwell is a reminder that Eastern's central job will be tha same for many decades: to ensure that when those hundreds of thousands of householders start pressing switches in the evaning, the lights do actually come on.

Barclays Bank to relocate 1,000 London HQ staff

BY RICHARD TOMKINS, MIDLANDS CORRESPONDENT

BARCLAYS Bank is to relocate up to 1,000 jobs from its head offices in London to purpose-huilt offices on the outskirts of Coventry, West Midlands.

The bank said yesterday that it had agreed with Coventry City Council to acquire a 10-acre site for the construction of a satellite to its London offices in Coventry's Westwood Business Park, adjacent to the University of Warwick.

The move will start in mid-1990. Barclays predicts that about half the 1,000 jobs will be filled by employees who relocate from London and the other half will be filled by recruits from the Coventry area.

Barclays said it would recruit school-leavers and other young people in increasing numbers to staff the satellite, and it was discussing the provision of appropriate training measures with the city council.

The announcement comes as a significant boost to Coventry. The city has an above-average unemployment rate of 10.8 per cent and has been keen to attract new service sector jobs to balance out its heavy dependence on the motor industry.

Departments involved in the move include property services, corporate and personal sector marketing, and international services.

Britain urged to boost investment in Tunnel rail links

BY ANDREW TAYLOR

BRITAIN will lose many of the benefits of building the Channel tunnel unless it matches substantial investment being made hy other European countries to improve rail links to the tunnel Mr Robert Adley, joint chairman of the all-party House of Commons Railways Group said yesterday.

In a booklet published by the Conservative Political Centre, Mr Adley said French, Belgian, Dutch and West Germans authorities were husily creating a European high-speed rail network which would link Paris, Brussels, Cologne and Amsterdam with the Channel tunnel.

He criticised the British Government for failing to invest sufficient money in one of the most exciting business opportunities the country had faced for more than half a century.

He said trains travelling through France to the Channel tunnel would be able to run at an average speed of 145 mph compared with an average speed of 60 mph through southern Britain.

Britain's transport minister meetings his Continental counterparts "must feel like an outcast at an aristocrats tea-party," said Mr Adley, who is vice-chairman of the Conservative party's Transport Committee and has written a number of books about railways.

Mr Adley claimed France had budgeted ahont £1.2bn for a high-speed line to the coast and had, in addition, proposed a high-speed Trains Grand Vitesse (TGV train) ring-route around Paris.

Britain hy comparison had proposed to spend £500m out of which would have to be found the cost of a new passenger terminal at Waterloo station, London, as well as new rolling stock.

He said Britain should consider huilding a new railway line between London and the Channel tunnel, which is due to open in 1993. Alternative routes hypassing London to provide better access to the tunnel from other parts of Britain also needed to be found.

This could be achieved, mostly using existing railway lines, either by:

● Upgrading the former South Eastern Railway route between Redhill and Reading to the west of London;

● Or, to the east of London, by linking the north Kent railway line through a tunnel to be huilt under the Thames with either the Fenchurch Street to Southend line or the Kings Cross/St Pancras to North Woolwich line.

Either of these routes would be better than the present proposal to direct Channel tunnel rail traffic, travelling to other regions, through London via Kensington Olympia and Clapham Junction, already one of the most congested stretches of railway in the world.

Mr Adley criticised a proposal by British Rail that Waterloo station on the south bank of the Thames should be the sole London passenger terminal for Channel tunnel traffic.

Ha said a tunnel under the Thames which would join existing railway lines would allow Kings Cross, which had better connections with the rest of the country and other parts of London to be considered as a Channel tunnel terminal.

"Without massive and early commitment by the government to an immediate plan to improve, develop and create infinitely better rail links than presently envisaged, we shall initially as a nation lose many of the estimable advantages that the Tunnel can bring," Mr Adley said.

Tunnel Vision, Rail Routes to the Channel Tunnel: Conservative Political Centre, 32 Smith Square, London SW1P 3HH £4.50 plus 25p postage

BAe wins £52m order for seven more ATP airliners

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

AIRLINES OF Britain Holdings, the group which includes British Midland Airways, is spending £52m on a further seven British Aerospace 64-seat Advanced Turbo-prop (ATP) airliners.

Deliveries will start later this year and all seven aircraft will be in service with the group's member airlines – including British Midland, Loganair and Manx Airlines – by May, bringing to 10 the group's total ATP fleet.

Announcing tbe deal yesterday, Mr Michael Bishop, chairman of Airlines of Britain Holdings, said it was necessary to expand the ATP fleet to replace smaller turbo-prop airliners and meet traffic growth.

Traffic was 25 per cent higher in the first six months of this year than a year ago, he said, and the group expected to carry more than 3.5m passengers this year.

The introduction of the first three ATP aircraft to regular service, by British Midland, had so far been "very successful," Mr Bishop added.

Mr Sydney Gillibrand, managing director of British Aerospace's civil aircraft division, said BAe was negotiating further orders for the ATP with British and foreign airlines, and hoped soon to announce further sales.

● Britain is calling for European countries to develop a common strategy to meet problems of air traffic congestion in the upper airspace and the more serions challenges of growth in the 1990s.

APPOINTMENTS

ANZ/Grindlays board posts

Mr John F. Ries, based in London as general manager, AUSTRALIA AND NEW ZEALAND BANKING GROUP, and deputy managing director, Grindlays Bank, has been appointed director - Europe, South Asia, Middle East and Africa, and managing director, Grindlays Bank. He replaces **Mr Bruce B. Dickinson**, who will be returning to Melbourne as director, related financial services, responsible for the group's major finance, investment, insurance, and trustee business in Australia. **Mr A.R.D. (Robin) Peatfield** becomes general manager, banking and support, and deputy managing director, Grindlays Bank, with responsibilities including the group's operations in the Middle East and Africa. He is group executive, personnel and administration, in Melbourne. The posts will be taken up by the end of the month.

★

LAKE & ELLIOTT PARAMOUNT has appointed **Mr Ray Atkinson** as technical director, **Mr Graham Pickering** as financial director, and **Mr Frank Walshe** as director and foundry general manager,sand foundry.

★

Mr Derrick H. Reading, personnel director of Northern Engineering Industries, has been appointed director of the NATIONAL ENGINEERING CONSTRUCTION EMPLOYERS' ASSOCIATION.

REX WILLIAMS LEISURE has appointed **Ms Jane Moir** as group finance director. She joins from Citicorp Scrimgeour Vickers, where she was a director in the corporate finance department.

★

CHARLES TAYLOR & CO has appointed **Mr Paul Flowers, Mr Iain Laird** and **Mr David Shepley-Cuthbert** to the board of Charles Taylor & Co (Bermuda Agents). **Mr Alan Simmonds** and Mr Shepley-Cuthbert have been appointed to the board of Charles Taylor (London Management).

★

Mr John Barker, deputy managing director of ISOTRON, has become managing director on the retirement of **Mr John Grant. Mr David Fletcher**, general manager, has been made a director, and **Mr Paul Wynne**, company secretary and financial controller, has been appointed finance director.

★

Mr Philip Shaw has joined ROBERT FLEMING SECURITIES from Shearson Lehman, and **Mr Robert Gibson**, an assistant director at County Natwest Securities, joins Flemings in August.

★

Mr Roger Carne (Ilford) has been appointed a partner of NEVILLE RUSSELL.

★

STAKIS LAND AND ESTATES has appointed **Ms Caroline Raine** as an associate director.

LEGAL & GENERAL INVESTMENTS has appointed **Mr Andrew Palmer** as deputy finance director. He was financial controller of the Commercial Union unit trust company.

★

Mr Raphael Afialo, Mr Brian de Mattos and **Mr Nigel Fraser-Gausden** have been appointed to the board of UFB ASSET FINANCE, UK subsidiary of Compaignie Bancaire Group.

★

Mr Mark Robinson, a director of Leopold Joseph & Sons, has been appointed to the board of the COMMONWEALTH DEVELOPMENT CORPORATION.

★

A.J. ARCHER & CO has appointed **Mr Geoffrey Chichester** as a director. He will be the underwriter for a new Lloyd's aviation excess of loss syndicate, No.1112. He joins from C.E. Heath & Co., where he was a director.

★

Mr Brian MacDougal has been appointed managing director of WASHINGTON PRECISION ENGINEERING, part of the Hyde Group.

★

SOVEREIGN MANAGEMENT, St Peter Port, Guernsey, part of the Credit Suisse group, has appointed **Mr Stephen Laine** as managing director. He succeeds **Mr John Lipscombe**, who remains executive chairman. **Mr David Naylor** has been promoted to senior manager and company secretary.

★

Mr Cedric A. Scroggs, an executive director of Fisons, has been appointed a non-executive director of CARADON.

★

Mr Ashley B.G. West has joined KINGSWAY GROUP as financial director. He joins from IBL, where he was group finance director.

Joining Allied Breweries board

ALLIED BREWERIES has appointed **Mr Don Marshall** as commercial director, based at Burton-on-Trent. He also becomes chairman of Albrew Maltsters, Allied Breweries Overseas Trading, Allied Take Home and Ind Coope Burton Brewery. Mr Marshall will be succeeded as managing director of Tetley Walker, based in Warrington, by **Mr Roger Parker**, currently deputy managing director; **Mr J.W. McKeown**, who was director of brands marketing, has been appointed marketing director; and **Mr Alan Smith**, managing director of The Victoria Wine Co. All three join the board of Allied Breweries on September 18. **Mr Michael Griffiths** becomes chairman of The Victoria Wine Co., from July 28, in succession to **Mr Roy Moss**, who is now chief executive designate of Allied Breweries.

FT LAW REPORTS

Mareva proviso for foreign assets

BABANAFT INTERNATIONAL CO SA v BASSATNE
Court of Appeal (Lord Justice Kerr, Lord Justice Neill and Lord Justice Nicholls): June 29 1988

A POST-JUDGMENT Mareva injunction freezing foreign assets pending execution is justifiable only if qualified by a proviso that third parties should be unaffected by it, or preferably, a proviso that third parties should be unaffected unless and to the extent that the injunction is enforced by the courts of the state where the assets are situated.

The Court of Appeal so held when giving reasons for having allowed appeals by the defendants, Mr B Bassatne and Mr WM Bassatne, from Mr Justice Vinelott's decision of April 19 1988 granting Babanaft International Co SA a world-wide Mareva injunction over their assets (*[1988] 2FTLR*); and from his decision of April 20 refusing their application to restrain Babanaft from notifying banks and other institutions of the injunction. The appeals were allowed on May 18.

LORD JUSTICE KERR said that Babanaft was a Panamanian company in liquidation. Tha receiver brought the present action in Babanaft's name.

The substance of his allegation was that the defendants had carried on a joint venture, using Babanaft as a vehicle and as a screen to protect themselves from personal liability. The result was, it was alleged, they were liable to indemnify Babanaft in respect of a judgment debt owed by Babanaft to a shipowning company.

Mr Justice Vinelott found the allegations established. He gave judgment for more than $15m against the defendants.

The defendants were unusually peripatetic in their life-style and elusive in the way they did business and held assets. The judge concluded they would be likely to take any steps open to them to frustrate execution of the judgment.

On April 19 1988 he granted a world-wide Mareva injunction precluding the defendants from dealing with any of their assets without giving five days prior notice to Babanaft's solicitors. The following day he refused the defendants' application to restrain Babanaft from giving notice of the injunction to persons such as banks, who might hold their assets.

Although Mareva injunctions were made *in personam* against defendants, they also had direct effect on third parties who were notified of them and held assets comprised in the orders.

Pursuant to Mr Justice Vinelott's order, 47 entities in various countries were notified of the terms of the injunction by Babanaft's solicitors.

Many replied that they held no assets. Others queried the effect of the order or its validity. One bank rejected it in strong terms, drawing attention to the fact that the decision had been rendered by a British court.

That correspondence spoke for itself.

The defandants' appeals against both judgments were allowed on May 18. An order substituted for the injunction was limited to the defendants personally. Also, it was ordered that all persons who had been informed of the previous injunction should be told to disregard it.

The court now gave its reasons for allowing the appeals.

The jurisdiction to grant Mareva injunctions was found in section 37 of the Supreme Court Act 1981, which provided that the High Court might "grant an injunction . . . in all cases in which it appears . . . just and convenient to do so".

In *Ashtiani [1987] 1 QB 888* the Court of Appeal concluded that Mareva injunctions should be limited to assets located within the jurisdiction, for policy reasons. It was not a decision on the limits of the court's jurisdiction.

That was a pre-judgment case. *Interpool v Galani [1987] 2 FTLR 315* decided that post-judgment orders for disclosure pursuant to RSC Order 48 could properly extend to assets outside the jurisdiction. And in *Maclaine Watson v ITC (No 2) FT May 4 1988*, the Court of Appeal made a post-judgment order for extra-territorial disclosure of assets, under section 37(1).

Assuming that in appropriate cases there was nothing to preclude the courts from granting Mareva-type injunctions extending to assets outside the jurisdiction, three question arose:

(1) On post-judgment applications, should the court adopt a policy in line with the authorities on post-jndgment disclosure orders, by granting unqualified Marevas over foreign assets in appropriate cases?

That was the solution adopted by Mr Justice Vinelott.

(2) If the answer to (1) was in the negative, because that would involve an exorbitant assertion of extra-territorial jurisdiction over third parties, should the court expressly restrict such orders to bind only the defendant personally by adding a proviso that third parties should not be affected?

That was the solution adopted after the appeal hearing.

(3) Alternatively to (2), should the order take the form of a normal Mareva injunction, but with the qualification that it should not affect third parties unless and to the extent that it was enforced by the courts of the state in which the assets were located?

That appeared to be the correct international approach.

The key to the proper exercise of any extra-territorial jurisdiction must lie in the question of international reciprocity for recognition and enforcement. In the context of the Mareva injunction one must have regard to the jurisprudence on article 24 of the European Jndgments Convention, concluded in 1968 between the original six EC members and extended to the UK in 1978.

The Convention required the recognition and enforcement of all judgments or orders which fell within its scope, whether final or interlocutory, subject to limited exceptions. It applied *prima facie* to any order in the present case.

Article 24 provided that application might be made to the courts of a contracting state "for such provisional, including protective, measures as may be available under the law of that state", even if another contracting state had jurisdiction "as to the substance of the matter".

Two European court decisions on article 24 showed that an English pre-judgment Mareva injunction, freezing assets in any EC state, was entitled to recognition and enforcement by the courts of that state, if the English proceedings fell within article 1 of the Convention ("civil and commercial matters"), and the order was made *inter partes* (see *De Cavel (No1) [1979] ECR 1055*, and *Denilaurer [1980] ECR 1553*).

In *Bayer v Winter [1986] 2 FTLR 111* Mr Justice Hoffmann suggested that in appropriate cases a pre-judgment Mareva could properly be granted over assets abroad if there was evidence that the foreign court would reciprocate by recognising and enforcing such orders.

That approach, based as it was on international reciprocity, was correct.

It appeared more difficult to justify post-judgment Mareva injunctions, because it could be suggested they were not "provisional or protective" measures under article 24.

Under article 16(5) of the Convention enforcement proceedings were within the exclusive jurisdiction of the state where the assets were. It seemed illogical that a post-judgment provisional protective order should fall outside article 24. The better view was that after judgment "the substance of the matter" in article 24, consisted of the enforcement proceedings referred to in article 16(5).

There was no reason why article 24 should not be available in the state where the assets were, pending enforcement, thus entitling English courts to grant a Mareva injunction over the foreign assets.

Solution (1) was unacceptable and the appeal should be allowed to that extent.

Unqualified Mareva injunctions covering assets abroad could never be justified before or after judgmant, because they involved an exorbitant assertion of jurisdiction by English courts. They could not be controlled or policed by English courts, and were not subjected to the control of local courts.

Solution(3), which was the correct solution, was not canvassed in argument. It bound the defendant personally in common with solution(2), but went further and would therefore be more useful.

That left adoption of solution (2). A Mareva-type injunction qnalified by express proviso excluding any effect on third parties was not objectionable, but it was unsatisfactory because it disregarded the realities which a Mareva injunction sought to achieve.

Had it been argued, the better course would have been to allow the appeal by making an order in terms of solution(3).

Lord Justice Neill and Lord Justice Nicholls gave concurring judgments.

For the defendants: Gavin Lightman QC, Barbara Dohmann QC and Hugo Page (Theodore Goddard)
For Babanaft: Anthony Clarke QC, Simon Mortimore and Charles Haddon-Cave (Holman Fenwick & Willan)

Rachel Davies
Barrister

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MANAGEMENT

The first winners of the FT/LBS Design Management Award are announced today. **Christopher Lorenz and Alice Rawsthorn report**

Much more than skin deep

FROM LONDON to Los Angeles, Tokyo to Turin, design has become one of the management fashions of the decade. Manufacturers, retailers, airlines and even banks have rushed to grasp the message that better design can give a much-needed transfusion to products, services and places of work.

But far too few companies have realised that design is much more than a skin-deep veneer, purchased from a glamorous consultant in order to give a mediocre old offering an attractive, fresh look. Prettily packaged products which break after two weeks' use, restyled shops with poor-quality merchandise, brand new buildings with shiny facades but inadequate lift facilities, jazzily refurbished banking halls with surly clerks and long queues – all these, and more, betray a failure to understand that design can only be successful if it permeates an organisation's entire range of activities, and, in some cases, those of its suppliers. Far from being a "quick fix", design is a complex process which is difficult to manage.

It was this awareness gap which in 1987 prompted the Financial Times and London Business School to launch a joint Design Management Award for organisations operating in the UK; Mrs Margaret Thatcher, the Prime Minister, will present the awards today to the joint winners, the Richards womenswear chain and Crosfield Electronics.

The Award scheme has been adapted from one originally run by the Royal Society of Arts, and will operate every other year.*

Whereas Richards is just the sort of company most people would associate with the label "design", Crosfield makes a range of computerised systems for printing and publishing, and is more usually noted for technological innovation – for which it has won four Queen's Awards.

Product design and development is certainly Crosfield's traditional forte, but it has recently made great strides in improving the management of all other aspects of its design, from the buildings in which its highly-skilled staff do their work, to its visual corporate image, promotional literature and other communications material.

The very disparity of the two winners underlines the message that design management is an essential element in the performance of all sorts of organisations, whatever the nature of their business. The shortlist from which they were selected, by a team of eight judges, also included a financial services organisation and a food manufacturer.

The judges had a much tougher task than their counterparts on other design award schemes, which focus on individual products, services, buildings, or communications (such as annual reports), rather than on the processes by which these are all created and managed.

The criteria against which candidates for the FT/LBS award are judged include the establishment of comprehensive policies for the management of all aspects of design; this implies both board commitment to design and a set of procedures which reach down into the organisation. Not only that, but candidates must be able to demonstrate their ability to deliver a consistently high quality of product, service, environment and communication. These elements of design must be effectively managed, and co-ordinated with each other. This is far from an easy task.

The FT's annual survey of Design in British Industry appears as a supplement to today's paper.

**Submissions for the 1989-90 award scheme will be invited after a series of design management study seminars at the London Business School next autumn and winter, featuring the award winners and other companies.*

Renaissance at Richards

Derek Lovelock: following the dictum of 'one pair of eyes'

IMAGINE walking into a shop where the cracks in the carpet are patched up with Sellotape, where there is a wooden tray instead of a till and where the rails are crammed with a motley assortment of merchandise.

This was one of the Richard Shops of five years ago. Today the same shop, rechristened Richards, would be decked out with co-ordinated clothes, filled with fresh flowers and the strains of classical music. There would even be a till.

Five years ago Sir Terence Conran's Habitat-Mothercare bought Richard Shops as a loss-making concern. It has since been transformed into Richards, one of the most profitable parts of the empire now known as Storehouse.

In the swinging years of the 1960s Richard Shops was one of the most successful women's wear chains in the UK. But by the early 1980s, when Storehouse surfaced, it had hit the nadir of its fortunes. The shops were drab and dowdy. The merchandise was worse.

The only good thing was that the shops occupied some of the best sites on the High Street. Richard Shops offered an opportunity for Storehouse to use the lessons learnt by Sir Terence through his involvement with the launch of Next, by creating its own womenswear chain.

The business was in such a sorry state that Storehouse decided to start again from scratch. The Conran Design Group (CDG) was drafted in to work with the new Richards board in mapping out a blueprint for a chain of "clean, uncluttered" shops for the young working women of the 1980s.

Their brief was to redesign every aspect of the business. The look of the shops would clearly be important, but Richards realised that its blueprint had to embrace management too.

"From the beginning the underlying principle has been Terence's dictum of 'one pair of eyes'," says Derek Lovelock, Richards' chief executive. "There are so many different people with so many different talents involved in creating a new retail group. 'One pair of eyes' means that the business should look as if one person, and one person alone, has done everything. That not only requires design, but design management."

Richards began by assembling a computerised "master calendar" listing all 3,000 components of the business and mapping out a timetable for their redesign. The timetable was monitored by a controller, who attended weekly progress meetings and assessed all aspects of the redesign with the appropriate director.

At the same time a fashion studio of forecasters and designers was established within CDG to co-ordinate the development of the new Richards' merchandise. Teams were also assembled to create a new corporate identity embracing everything from the layout of the shops to the labels in the clothes.

Yet Richards also needed to develop new management systems to ensure that it made the most of its smart new shops. The new management team was well aware that the success of the new Richards would depend on the commitment of people from the old regime to which design management had been an anathema. Richards needed to prove that the "one pair of eyes" dictum would work.

It began by opening a "pilot" shop at Wood Green on the outskirts of London in the autumn of 1984. The shop was designed as a new Richards but sold exactly the same clothes as the old Richard Shops. Sales soared by 80 per cent.

In the following spring Richards began to redesign its 140 shops in a £20m programme. Within a year the whole group sported modular designs, fresh flowers and spacious changing rooms.

While the shops were being refitted, the store managers were drilled in visual presentation at six-week training courses, run by a newly formed training department. Richards now ensures that each store manager knows exactly how the shops should look by circulating specifications when the new collections arrive every three weeks or so.

Richards also changed the way in which it sources its merchandise. The old regime had bought from the wholesalers in and around Great Portland Street, the centre of London's fashion trade. It had thus been impossible to exert central control over style, colour or quality.

The new Richards aimed to control everything. It devised a system whereby design would be handled internally and the merchandise would be sourced, not from wholesalers, but from manufacturers which would comply with its specifications for quality and presentation.

The design process begins – about a year before the clothes go into the shops – when the Richards design studio, a dedicated unit within CDG, presents "orientation boards" identifying the season's themes to the buying and management team.

Originally it was intended that the studio should design the entire collection. This proved to be impracticable. It now designs a "core collection" to set the tone for the season, and then works with the buyers in developing other designs together with manufacturers.

All the manufacturers receive manuals outlining its specifications for quality and even labelling. A quality control team vets the merchandise.

The restyling of the stores, and the merchandise, was accompanied by the redesign of Richards' head office in North London. Everything from the colour of the walls to the order forms is now in keeping with the new corporate identity.

"Just as the shops are designed so that our customers can be confident that we have thought of absolutely everything so our employees should be reminded that everything they do must be done in the Richards style," says Lovelock.

A committee of four directors meets monthly, together with Sir Terence and John Stephenson, chairman of CDG, to discuss design and marketing.

The success of Richards' exercise in design management can be measured by its financial performance. The new Richards became profitable and saw sales grow by 60 per cent in the first year after the redesign; in the second year, to the end of March, profits rose by 89 per cent and sales by 24 per cent.

For the future, it intends to introduce refinements, such as different designs for city centre stores. "At first we were swamped by the challenge of redesigning the entire business in a year," says Lovelock. "Now we have time to take another long look and tackle all the tiny things we may have overlooked."

AR

Control at Crosfield

WITHOUT OUTSTANDING product design management, Crosfield Electronics could not have become one of the world's leading suppliers of computerised systems for controlling printing presses, and of various "pre-press" systems for the preparation of images and pages prior to printing.

The company has been growing much faster than its parent, the De La Rue group, and now accounts for nearly 45 per cent of its sales. Over the past five years Crosfield's sales and trading profits have grown by an average annual rate of over a third, to £212m and £21m respectively. Over four-fifths of its production is exported.

Crosfield's various processes for the management of high-technology hardware and software design projects are advanced even by the standards of the ultra-competitive international electronics industry. Thanks to their thoroughness, and Crosfield's use of multidisciplinary project teams, the company has been able to compress product development times dramatically, while improving such key characteristics as modularity, quality, reliability and "user-friendliness". Among the various specialists who are involved in the project teams from an early stage in the design and development process, industrial design consultants are employed to influence ergonomics, as well as shape and appearance.

While Crosfield's product design management is definitely state-of-the-art, its handling of environmental and communications design is still undergoing development. But the award judges were most impressed by the rate of improvement on both fronts in the last four years, since the company moved out to suburban Hertfordshire from cramped premises in the Holloway Road, one of the dirtiest areas of North London.

As Crosfield has expanded into a spate of new office buildings and factories – through internal growth and a series of takeovers in the UK and abroad – it has developed a demanding set of procedures to control space standards and ensure a high degree of uniformity in office accommodation.

Partly because of the company's cost-consciousness, most of the buildings appear rather anonymous from the outside, except for a recently-acquired "space age"-looking facility in Milton Keynes. But the interiors reflect Crosfield's view that the quality of workspace design is a prime factor in the recruitment of scarce skilled engineers.

Over the last 18 months Crosfield has also taken decisive action to raise the quality of its communications design, and to co-ordinate the visual identities of its new decentralised business units, plus the companies it has acquired.

Among other steps, this has involved replacing an outdated and rather crude corporate logo,and changing the colours of its products The redesign was done in-house after the consultancy which had won the assignment produced an ineffective solution only a few months before a vital trade exhibition. The new identity was launched last autumn and introduced in a phased programme which is all but complete. Its implementation is backed by a thorough corporate graphic standards manual, covering everything from stationery to products.

Unlike many companies which excel at design management, Crosfield has no single person at board level with designated responsibility for design in its very widest sense. But a core of its members, under James Salmon, the managing director, now considers itself responsible for upholding – and improving – the quality of design, and board discussions on design issues are frequent. Lower level co-ordination across the various elements of the design spectrum is played by several executives, including one with the misleadingly narrow title of marketing services manager.

At this, as at every level within Crosfield, the key to its design management is twofold: an unusual degree of informal teamwork which helps build common commitment to corporate objectives; and the steady introduction of formal systems to turn commitment into controlled reality.

An article on Crosfield's changing management style will appear shortly.

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FINANCIAL TIMES — LONDON BUSINESS SCHOOL

DESIGN MANAGEMENT AWARD

The Financial Times/London Business School Design Management Award is unlike other design awards in that it recognises organisations which have established comprehensive policies for the *management* of design across their products, services, environments and communications, and which are seen to be effective in carrying this out. The award is not given for the design of individual products, services, buildings and communications.

In 1988 the judges selected two winners for the award: Crosfield Electronics and the Richards ladieswear chain. Both companies were chosen for their proven track record in design management over several years which has helped bring them to the forefront of their business areas and resulted in high levels of profitability.

The fact that the winners were drawn from such diverse areas of British industry underlines the relevance of design management to all companies, no matter what their discipline.

RICHARDS

The Richards fashion chain, part of the Storehouse group, has over 170 shops in Britain's high streets aimed at women between 25-45 who are looking for firm fashion guidance.

In three years Richards has been transformed from a loss-making chain with no clear market position into a clearly identified and profitable retailer. This change has been design-led, by means of a clearly-stated design policy which has been meticulously implemented and managed. Success has been achieved against well-established and efficient competition.

The judges were most impressed by the way that the design programme pervades every aspect of the business. The products which Richards buys and sells, the shops in which it sells them, and the promotional and sales information it uses are not only appropriately designed for the purpose, but the design process is very carefully managed throughout the business.

Richards works extremely closely with its suppliers in the design of the products it sells. Its in-house design staff develops coordinated design themes for all product ranges, working closely with its buyers to develop visual "orientation boards". These boards are used as management guidelines in product development discussions with suppliers, and ensure that the design message for every range of clothes is correctly interpreted. Suppliers are also provided with detailed design specifications for all products.

A similar management control system is used to ensure that the windows and interiors of all the shops achieve the same standards. Detailed instruction manuals for this purpose are produced for each shop every fortnight. Shop fitting involves the use of a standard 'kit of parts'. While recognising the virtues of a standard approach the judges questioned whether a degree of flexibility might be needed in future between shops in very different parts of the country.

Precise control procedures are also applied to all sales promotion and related information. The "design message" is *communicated to staff as well as customers*, and the commitment to design is widely evident among Richards employees. It is recognised right down the company that the effective management of design is a powerful contributor to profitability.

CROSFIELD ELECTRONICS

Crosfield Electronics, part of the De la Rue group, has grown rapidly over the past decade to become one of the world's leading manufacturers of computerised systems for the graphic, design, printing, news publishing and communications industries.

From its original business in control systems for printing presses, Crosfield has built a broad range of related businesses in "electronic pre-press": the computerised preparation of images and pages prior to printing. Over the past five years sales and *profits have both grown by an annual* average rate of 35 per cent.

Design management has played a central role in this success, especially in product design but also increasingly in the company's environments and communications.

The design and development of Crosfield's products is an unusually challenging process, since it involves the coordinated application of a wide range of technologies in electronic hardware, software, optics and precision mechanics. A fifth of the company's 3,000 employees are involved in research, design and development. To manage this complex process, Crosfield has developed and applied a set of thorough and effective procedures which rank alongside best international practice, and in some cases ahead of it.

As a result the company has been able to compress product development times dramatically, while improving such key characteristics as modularity, quality, reliability and "user-friendliness". Among the various specialists involved in teamwork from an early stage in the design and development process, Crosfield uses industrial design consultants extensively to influence shape, appearance and ergonomics.

The company has always devoted considerable effort to exhibition design, but its development of thorough procedures to manage the full range of environmental and communications design is relatively recent. The judges were impressed by the degree of progress made on both fronts since Crosfield moved out to Hertfordshire from cramped North London premises in 1984, though they felt that neither aspect was yet being applied to its full potential throughout the company. A new corporate identity, accompanied by carefully controlled implementation procedures for the company and its constituent business units, was launched in late 1987, a year after the introduction of a space standards manual. The judges welcomed the fact that Crosfield now considers the quality of workspace design to be a prime factor in the recruitment of scarce skilled engineers.

Unlike many design-minded companies, Crosfield has no design director with responsibility for the co-ordination of the design of products, environments and communications. Instead this occurs by means of intensive and open discussion at board level and below, reinforced by the various new standards manuals. The "design message" has been conveyed to employees through Crosfield's normal internal communications channels, a major feature of which is regular and very frequent meetings between top management and staff at all company sites.

This is the first time that the Financial Times/London Business School Design Management Award has been given since the scheme was taken over from the Royal Society of Arts in 1986.

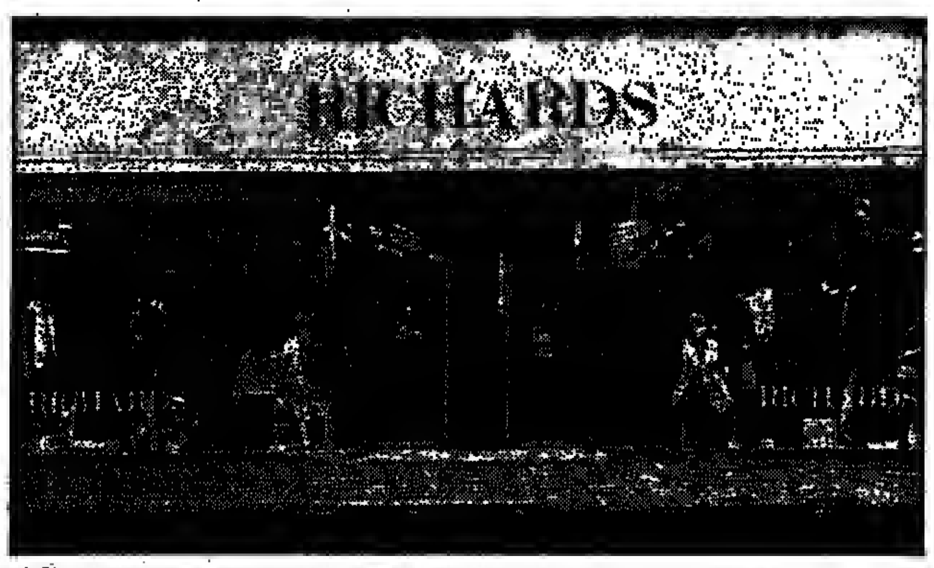
The winners were decided by an eight person jury, each of whom visited several of the short listed entries to assess their record of design management in the areas of prodnct, environment and communication.

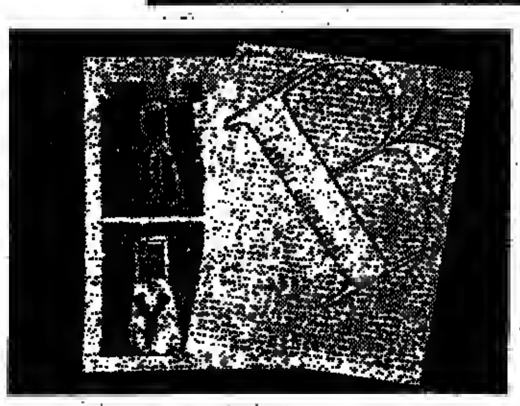
The jury comprised Francis Duffy, *DEGW*; Michael Jankowski, *Marlin Lighting*; Sheila Pickles, *Penhaligon's*; Louis van Praag, *Sabre International Textiles*; John Wesley, *3i*; Martyn Wray, *APV*; Peter Gorb, *London Business School*; and Christopher Lorenz, *Financial Times*.

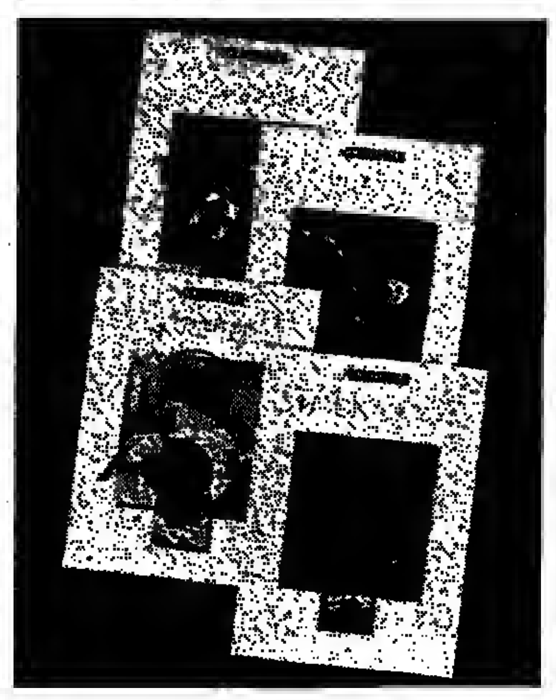
The steering committee for the award, which ratified the judges' choice of winners, was chaired by James Pilditch, *Member of the RSA Council*. It comprised Frank Barlow, *Chief Executive, Financial Times*; Sir Peter Parker, *representing London Business School's Design Management Unit*; Sir Simon Hornby, *Chairman, Design Council*; David Maroni, *Director*, British Olivetti.

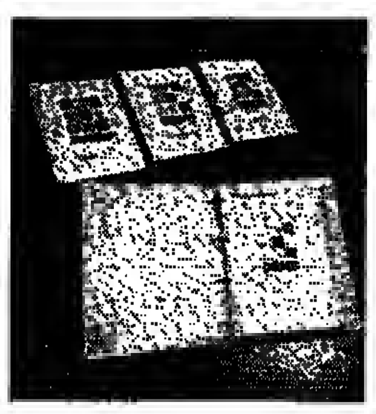
A series of seminars on the award winners and short listed entries will take place in the autumn and winter of 1988-89 at the London Business School. For further information contact Peter Gorb at the London Business School.

Entries for the next Financial Times/London Business School Design Management Award will be invited in September 1989.









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TECHNOLOGY

GEC tests the merit of Midland Bank's smart card

BY BARRIE STEVENS

GEC, the UK electronics group, has been putting Midland Bank's Meritcard through realistic tests at its Great Baddow research laboratories in Essex. Meritcard is Midland's version of the "smart card", a credit-card sized unit which contains a microprocessor and computer memory.

A joint venture between the Midland Bank and GEC Card Technology, Meritcard will be put through its paces this October in a public trial conducted among students at Loughborough University of Technology.

The use of smart cards in Britain lags a long way behind such countries as France, where 17m cards are in circulation. Most of the French schemes, however, are backed by government subsidies, whereas the Midland/GEC project is funded by the two companies.

Midland's eventual aim is to enable all its customers to use the card, which it claims is more advanced, versatile and stronger than many of the smart cards presently being used.

In its present format, the Meritcard is dark blue, slightly thicker than conventional credit cards and contains what is effectively a small computer in a sealed unit.

Two versions of the card will be used in the Loughborough trial. The Meritcard issued to students contains a 40 kilobit electronic memory. Retailers will have 64 kilobit cards to transfer "electronic cash takings" from their retail units to the bank.

Not only does the card carry information on financial transactions in the form of electronic impulses, it can also be used at strategically located enquiry terminals to call up Midland's MFile Viewdata information service.

This gives the Meritcard holder access to Prestel, British Telecom's 300,000 pages of information, and to the Midland subsidiary, Thomas Cook Travel Information Bank, which provides information on holiday planning and foreign travel.

The recent three-day laboratory trials held by GEC Card Technology were designed mainly to test the system's software. But they utilised some of the actual tills and terminals soon to be installed in various retail outlets at Loughborough.

These sites will include the Student's Union, bars, bookshops and sports equipment stockists. All of the retail equipment consists of tills produced by WT Avery, a subsidiary of GEC.

While the intensive series of transaction-based experiments showed that there are a few "gremlins" to be chased away, the general impression among the mambers of the public recruited to take part was that thecard does work, is practical and should prove popular with shoppers and retailers alike.

The card as devised for use by the students is divided into two parts as far as buying operations are concerned.

The first part of the card is intended to act as small change. Known as MCash, it can be electronically charged with any value from £1 to £20.

Credit limit

The second part, known as MTill, is intended for larger purchases up to £100. In these cases money will be deducted automatically from the student's bank account.

The Loughborough students will be limited to £100 per week whatever the credit balance of their bank accounts, but limits will be raised when the card is on general issue.

Everyday purchases of small items can be paid for by using the MCash part of the card.

The cashier rings up the bill, the details of which are displayed on the till's video display unit (VDU), and the customer places the Meritcard on a contactless reading device known as a "coupler". The card contains an inductive loop which receives power and data from the coupler's energising circuitry.

The reading device checks the charge or balance of credit held on the MCash section of the card and the amount of the bill appears on a small display panel in front of the purchaser.

A message then appears on the display panel inviting the purchaser to authorise the transaction.

This is done by touching a sensitive pressure pad and the cost of the purchase is deducted in the form of reducing the electronic charge in the card's memory and transmitting it to a computer memory in the retailer's till or cash register.

A receipt is printed by the cash register and shows the balance left on the MCash section of the card.

The card itself retains a record of all transactions for future print-out or viewing as required.

The Meritcard system has the advantage of having no moving parts. The card is placed on the coupler's surface, in any position and works even if upside down.

Cards are not placed in a slot, and this will reduce the chances of mechanical failure or vandalism when the card is used in such public places as telephone boxes and railway stations, where slot devices can be jammed.

Telephone and railway ticket purchase applications, however, lie very much in the future. For the time being, Meritcards will be used in conjunction with retailing and Midland Bank terminals.

The MTill section of the card is intended to reduce the vast amount of cash and cheques handled every year by the bank.

For the customer and retailer, it will save the time and frustration of writing out cheques and credit card slips.

Meritcard can help the customer pay for goods using the card automatically to debit a bank account.

The customer first informs the retailer of the intention of using the card and places it upon the activated reading device.

The card then becomes "live" and a small, discreet display requests the customer's personal indentification number (PIN), states the price of the goods or service, and, when authorised, deducts the charge from the customer's bank account.

Transactions involving the use of the card to debit personal accounts will take three days to clear.

Cash injection

Additionally, should a customer's MCash need replenishing from the main personal current account, it can be done using a retail cash register fitted with a special electronic loading facility.

In the future it may also be possible to replenish Meritcard's "cash memory" from a simple home terminal, though this has not yet been developed.

Meritcard holders can also use Midland Bank premises to conduct their money-loading operations and other uses of the card.

The reaction of those using the card to make small purchases during the three-day experiment was that the MCash portion, while it acted like an electronic purse, held too little value to be of much use. For the small transactions involved, this could be something of a nuisance.

Overall opinion was that the card could be of more practical value if it consisted only of MTill.

In this context, the name of "MCheque" was suggested.

Midland Bank's Meritcard offers more than just an alternative method of payment using electronic money, as it can also be used to order foreign currency and travellers' cheques via the MFile terminals.

An order placed before midday will usually be ready for collection two working days later.

Prestel Viewdata services can be viewed by Meritcard holders over the public telephone system and a charge will be made.

The Thomas Cook Travel Money Service, however, is free.

Prestel charges are displayed by the minute on the video display unit (VDU) and will be deducted from the MCash section of the card. The MCash balance must be at least £1 before viewing.

One unusual feature of the card is that the customer is able to use the terminal facilities to change a PIN number.

Some see this as a security risk as there is a great temptation to devise a simple number or use easily recalled PINs based upon the likes of house numbers

Entering the wrong PIN number when using the card automatically invalidates it.

Meritcard as seen from the retailer's point of view offers the advantage of instantly knowing that the customer is in funds. Should a lost or stolen card be presented, and assuming that the bank has been informed, then the retailer's VDU will display the fact.

Another advantage is that the retailer can act as the channel by which the customer obtains further "cash" from the bank.

If smart cards such as Meritcard come into general use, shops will not have to handle so much cash, and this will make their security precautions less expensive. They should also be able to handle their customers more quickly and efficiently.

While Meritcard offers a big advance on the other smart cards presently used on the Continent, it is unlikely to be in widespread use in the UK for at least five years.

Barrie Stevens is a freelance journalist who took part in GEC's tests of Meritcard.

Shining light of days gone by

BY CLIVE COOKSON

THE NATIONAL Trust, famous for its work preserving Britain's most beautiful landscapes and historic houses, is embarking on its first large project to save part of the country's scientific and technical heritage.

The site of the project is Cragside, the splendid mansion built in the wilds of Northumberland by Lord Armstrong, one of the great Victorian engineers and industrialists.

Armstrong (1810-1900) made the Cragside estate a laboratory for his experiments in water and electric power. The house was one of the first in the world to be lit by electric light, and certainly the first to be powered by hydroelectricity.

Virtually all Armstrong's hydraulic and hydroelectric machinery was still intact when the National Trust acquired Cragside in 1977, although it was badly corroded and no longer in working order.

Now, after spending £3m restoring the house and its spectacularly wooded estate, the Trust has moved on to the machinery which it says "is of world significance in terms of energy production."

Jonathan Minns, director of the British Engineerium in Brighton, has led the team carrying out the first phase of the engineering conservation work. At the end of this month the Trust will launch an appeal for £400,000 to finish restoring the machinery and to produce displays explaining to Cragside's visitors how the equipment worked.

"What is so exciting about Cragside is that so much innovative machinery has survived in its original setting – and it is such a spectacular setting," says Minns.

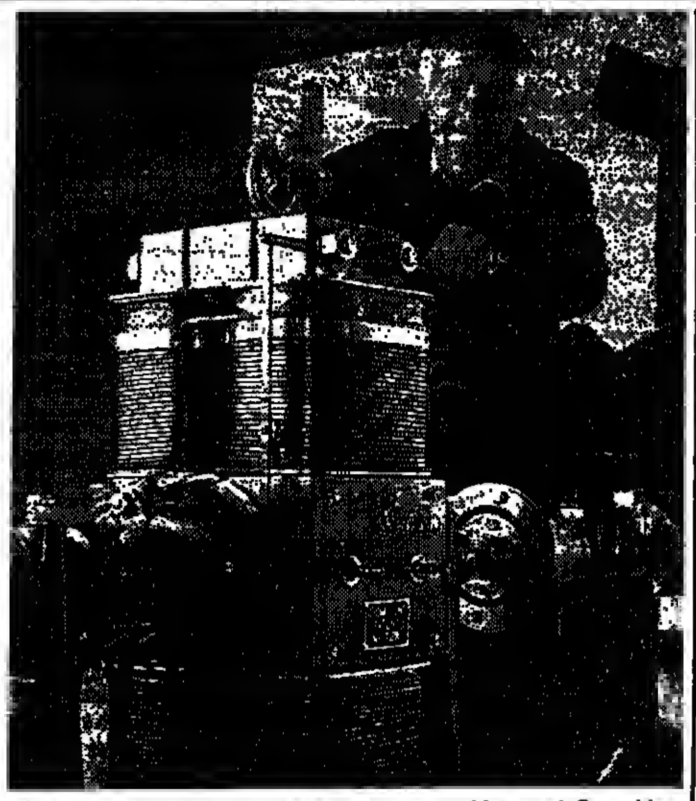
Armstrong installed his first hydraulic engine, driven by water pressure from an artificial lake, in 1865, following a drought which caused water shortages throughout the estate. This machine provided a continuous water supply and powered several labour-saving devices in the house, including a hydraulic lift and a turbine that turned a spit over the kitchen range.

Similar hydraulic engines powered cranes and lifting equipment in Armstrong's engineering works and shipyards on the Tyne (which became part of the Vickers group in the 20th century).

In 1870 Armstrong created two substantial new lakes higher up on the estate. These provided a 340ft head of water to drive a turbine for electricity generation. In 1878 he lit the picture gallery at Cragside by arc lights and two years later when his friend Joseph Swan invented the incandescent lamp (forerunner of the modern light bulb) Armstrong immediately put 45 electric lamps into the house.

During the 1880s and 1890s Armstrong installed a series of progressively more powerful turbine-generators to supply the house, sawmill and other buildings on the estate with hydroelectricity.

Visitors to Cragside can see these machines in the newly restored Burnfoot Power House. Their labels evoke the great names of 19th century electrical engineering, such as Crompton, Thompson and Siemens.



Alan Aspen, curator of the Armstrong machinery at Cragside, Northumberland, lovingly handles an 1885 Crompton generator

Slow-off-the-mark UK managers are offered beginner's guide to IT virtues

BY ALAN CANE

ACADEMICS and consultants are united in agreeing that UK companies are adopting information technology (IT) too slowly – especially office automation. The Department of Trade and Industry believes that 85 per cent of British business and industry is not yet making effective use of IT.

For many companies with little prior experience, however, tha dilemma is where to start. The options are wide, the costs significant and the opportunities for making expensive errors are all too real.

Which is where a new service, run in conjunction with the Institute of Administrative Management (IAM), may have a useful role to play.

Oamas, the "Office Automation Management Advisory Service" is based in the IAM's offices in Petts Wood, near Orpington in Kent. The brainchild of John Mitchell, Oamas aims to help executives make better-informed decisions about the use of information technology, to offer help and advice on the selection and installation of equipment and to suggest the best methods to follow, and the pitfalls to avoid.

It grew out of a document, "Exploit" written by Mitchell in 1985, which proposed establishing an advisory service embracing all the office automation interests groups in the UK.

This idea won approval from the then UK information technology minister, Geoffrey Pattie, although he doubted whether it would be possible to get the industry to support such a venture. In the end Mitchell got backing of $100,000 from some 37 institutions, including British Olivetti, IBM, ICL, Unisys and the Department of Trade and Industry.

Oamas is a simple, self-help organisation. Companies interested in making use of the service, first register their intent and receive a detailed questionnaire to fill in. Everything is free at this point.

According to Mitchell, the questionnaire enables a clear picture to be built up of the company's IT needs.

Since its establishment, Oamas has been building up a collection of fundamental papers in the management of IT, and Mitchell uses the information in the questionnaire to select which papers will be of most benefit at the start of a dialogue which should eventually lead to wise IT investment.

He emphasises that Oamas is no substitute for genuine consultancy; it is a centre where companies can seek information on the best place to get help.

"This is a decision support facility for people on the threshold of the move into office automation," says Mitchell.

Tha subscription for one year is £125. The organisation has already held a joint executive briefing with the computer company Unisys.

More details can be obtained from John Mitchell on 0689 75555.

How cruel the Peter Principle's costs can be

BY MICHAEL DIXON

THIS column has been accused of many things over the past 15¼ years, including political stances ranging from communism through anarchism to fascism. But never before has it been charged with being overly light-hearted about serious matters.

Indeed, given the number of evident biblical scholars who write in addressing it as "Job's column", it would have expected the charge to be the other way round.

In the past few days, however, eight readers have registered complaints of unfitting frivolity against the article printed in this corner of the FT two weeks ago. Its main topic was the law of organisational stupidity named the Peter Principle, commonly stated as: *In a hierarchy, people rise to a level of responsibility at which they are incompetent.*

The article argued that the above wording is misleading because it implies the principle's bedevilling effects are rooted in the blemishes of people who rise up the hierarchy. The real cause is not so much some personal flaw in the people which prevents them from being competent to do higher-level jobs. The root is rather some organisational flaw in the higher-level jobs which prevents people from being competent to do them.

Accordingly, the definition should be reworded as: *In an organisation, responsibility rises to a level at which people are incompetent to discharge it.*

Here, in case readers should be asking themselves what the hell kind of frivolity is that, I will explain that the complaints were not about anything said so far today. The objections were to the event I cited to illustrate the workings of the revised principle. It was a rush-hour incident in which British Rail was devoting twice the resources to stopping people from travelling without a ticket, that it was to enabling them to buy one.

My claim was that the cause of that piece of incompetence was not personal deficiency in the managers responsible. For the only people with power to change the daft ordering of priorities were enshrined in some superior level of British Rail's hierarchy miles from the station where the nonsense was happening. So the fault lay not in them, but in the loftiness of their offices which effectively blinds them to the things going on anywhere their organisation and its customers actually meet.

Sobering

What the eight objectors all soberingly say is that my choice of illustration trivialised the costs of a common managerial ill whose effects are sometimes far worse than mere inconvenience to customers. The particular example cited by three of them – which although the report on the official inquiry has yet to appear, they attributed to the selfsame cause – was the fire at King's Cross underground station run by London Regional Transport, in which 31 people were killed.

All I can say is I am deeply sorry that I failed to point out a fortnight ago how cruel the costs of the Peter effect can be.

Which being said, the only important question is how the effect can be curbed. And light on the issue is given by one of the prime studies of organisational stupidity, made by the French sociologist Michel Crozier* 40 years ago in two big state-owned bureaucracies in France.

Both were clearly bedevilled by the reworded version of the Peter Principle. Crozier's summary of their position is:

"...decisions must be made by people who have no direct knowledge of the field and of the relevant variables, and who must rely on the information given them by subordinates who may have a subjective interest in distorting the data. In this sense, one can state that the power of decision in this system tends to be located in a blind spot. Those who have the necessary information do not have the power to decide, and those who have the power to decide cannot get the necessary information."

Hence there is nothing new about the organisational virus which evidently still engenders killing disasters today. So where does the sickness come from?

The question calls to mind a common occurrence well known to those of us who have been unlucky enough at some time to work for a customer-despising company at fairly humble rank. You meet someone socially who asks where you work, and on learning snarls out a long list of injuries personally suffered at your organisation's hands.

Unless you are very unusual, your response is safe to predict. After listening sympathetically to the recital, you agree that the service is shoddy then pin the responsibility on management higher up. The last people you would blame are yourself and your fellow subordinates.

Michel Crozier would disagree. He suggests that if those of us in the lower ranks want to know the origin of the organisational sickness, we need only echo the words of the American author Finley Peter Dunne: "We have caught a glimpse of the enemy, and he is us."

Put crudely, the Frenchman's diagnosis begins with the fact that all of us are averse to being helpless, and so seek power in the organisations where we work. The power sought by bottom rankers is far from great. What they mainly pursue is security against being slaves to their supervisors' whims. Accordingly they ally themselves with small groups of their counterparts with similar interests to protect against the same threat.

While higher managers may think little of the disruptive potential of an individual menial, they are aware of the damaging results of conflicts between even lowly groups. In consequence there come into being rules and procedures governing relations between the various alliances of bosses and bossed with a view to forestalling factional strife.

A key requirement is that the rules should be impersonal, applying dispassionately to all alliances alike. In particular, when something must be decided which could have varying effects on the positions of different groups, the regulations usually guarantee that the decision will be taken by someone clearly seen to have no personal interest in the fate of any faction concerned.

Upwards

The result is that the power to decide anything at all important ratchets up, not just one notch but several, to managers on a level where they can have no detailed knowledge of what they are deciding. It is true they might learn the necessary knowledge from the mouths of the lower rankers who have it at first hand. But that could not be done without establishing a position of mutual trust with them, which alas is ruled out by definition under the impersonality clause.

Bingo! The organisation has hoisted itself by its bootstraps into Peter Principle land.

Moreover, once up there, it has little chance of ever getting itself down. The reason is that, now its brains no longer have clear access to the evidence of its senses, it is incapable of learning from its own mistakes.

So what might a would-be external rescuer be able to do to bring it back to a sensible stance?

If the stupefied shambles is state-owned, of course, one hope is making it profit-dependent by transferring it into private hands – which the UK Government is thinking of trying in the case of British Rail. Even so, if Michel Crozier's conclusions from his study are any guide, privatisation is far from a sure cure.

He concedes that the "sheer violence of a competitive world may transform survival into a common privilege and acceptable goal" for all the factions used to pursuing their often mutually conflicting ambitions within.

"But market uncertainty," he adds, "is not an omnipotent deterrent to rigidity. Extreme conditions of uncertainty will tend to result in more conformity and rigidity since trying to adjust to completely unpredictable situations will not be rewarding enough. Too little uncertainty, on the other hand, will make it feasible to prescribe in great detail all possible forms of behaviour, thus achieving a high degree of rigidity. There will be a tendency to escape from reality at the two extremes: when reality is too difficult to cope with, and when it is no longer a challenge."

**The Bureaucratic Phenomenon. Tavistock Publications, 1964.*

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Television/Christopher Dunkley

Lack of a finger on the pulse

Every few years some well-meaning person in television declares "I'm sick of all these pundits everywhere, it's time television presented the real voice of the people" (or, possibly, "the voice of tha real people") and they organise a late night series. Researchers track down a social worker, a black teacher, a Tory managing director, a trade unionist, a policeman and so on. Current topics of controversy are fed to them and – hey presto! – we all hear the voice of the people. Whereupon we promptly recognise the value of the pundit.

The experiment was tried again on BBC1 last week in a series called *Let The People Talk* and the attitudes and beliefs which emerged made you groan with disbelief. It was not the long-windedness of the non-professional, nor the perpetual failure to stick to the point which mattered so much, but the feeling that many of these people had simply not noticed what had been going on for the last 20 years.

From the way some spoke you would never have guessed that the humiliation of Scargill and the miners had utterly changed the relationships between unions and government. They talked as though Harold Wilson was still in Downing Street. Others seemed wholly unaware that the years of Thatcherism have altered Conservative orthodoxy out of all recognition: they seemed to imagine that Margaret Thatcher was some sort of latterday Harold Macmillan. Pundits are pundits because they do at least have a finger on the pulse, an eye on the ball, and a shrewed idea of what is going on.

★

There was a remarkably similar lack of connection between reality and what you saw on screen in Channel 4's three-part drama *A Very British Coup*. (The final part is repeated tonight.) This story of the old boy network doing down a British socialist government was enormously enjoyable, largely because script writer Alan Plater, director Mick Jackson and leading actor Ray McAnally (who played Prime Minister Harry Perkins) are all top class professionals. Yet the content was in an odd way similar to that of *The Company Of Wolves*: a slick and sexy re-telling of old myths which people would like to go on believing, but cannot.

One of the most satisfactory aspects of *A Very British Coup* was its pace: Jackson and Plater inhabit a post-Godard world in which the jump-cut is not only an acceptable way of proceeding, but virtually standard practica. Would that tha same could be said of Channel 4's other short (yet evarlastingly long) drama series *Fathers And Sons* which began on Thursday.

Here is an ominous example of what can happen when the anxious defenders of public service broadcasting in Europe band

Socially aware: Richard Kiley and Joanne Woodward in "Do You Remember Love?"

together to finance drama which is supposed to be capable of withstanding the onslaught of "American cultural imperialism." The glutinous indigestibility of the technical pudding is bad enough: soma characters are speaking English in synch, some seem to be speaking English out of synch, and others appear to be speaking a different language with English dubbed on top. Worse than that, however, is that the whole dynastic saga is so slow, turgid and boring.

★

To listen to the grandees of European public service broadcasting discussing the horrors of Coca Cola Culture and the magnificence of the European counterpart, as is sometimes my lot, you would imagine that on the one hand they had never heard of *Hill Street Blues*, *M.A.S.H.*, or *Twelve Angry Men* and on the other hand had naver been responsible for *Black Forest Clinic*, *Jeux Sans Frontieres* or *Chateauvallon*. For a disinterested British sceptic it is hard to decide which is more absurd: the American broadcaster's assumption that everything European is old fashioned, worthy and highbrow, or the European broadcaster's assumption that everything American is brash, vulgar and dangerous.

Monday night's screening on BBC2 of the American television drama *Do You Remember Love?* proved yet again for anybody who had missed the fact with *Adam*, *Something About Amelia* and numerous other productions, that at their best the Americans can match anybody in the world in the use of television drama to explore contemporary social issues.

The subject here was Alzheimer's disease. Admittedly the writer, Vickie Patik, gave herself the advantage of a relatively young and attractive victim, portrayed by the deeply sympathetic Joanne Woodward, who played the part to such effect that she was, quite rightly, awarded an Emmy. But then one of the most awful factors about Alzheimer's is that it is not just an old people's illness: on the contrary, it was previously known as pre-senile dementia.

Those of us with Alzheimer's in the family (which includes Woodward herself) know that ending this drama while the victim was still continent, charming, and capable of personal recognition was, as the Americans would say, a cop out. But if you see public education as a major part of the purpose of these programmes, then such gradualism may be justified. What certainly seems likely is that this sort of appealing drama will reach many more peopla than television's standard current affairs investigation of social problems.

★

For British television the social problem of the year is child sex abuse. Sunday night found Joan Bakewell and Miriam Stoppard dealing with tha subject simultaneously in programmes on BBC1 and ITV (*Heart Of The Matter* and *Vicious Circle*). Tonight, immediately after *News At 10* ITV offers another hour, and there are many more to come.

Joan Bakewell's programme dealt with the legal/psychological/pharmacological problems of "chemical castration" (the use of drugs to destroy the libido in sex offenders) with predictable rigour and finesse. The only objectionable moment was an unnecessary and prurient sequence showing male legs following female legs into undergrowth.

The ITV programme, on the other hand, was definitively pornographic, pornography being "the description or portrayal of prostitutes and prostitution" (Chambers 1983). There was also mnch detailed description by pretty girls of precisely what men had made them do, culminating in a re-enactment using a life size doll. This programme put one vividly in mind of those Sunday newspaper articles which declare "Activities of this sort are quite disgraceful: just look at these disgusting pictures - and these, and these . . ."

★

It is hard to imagine who might be helped by a programme of that sort, and the same goes for the June edition of *Network*, the monthly BBC2 series about television. This time the subject was the portrayal of black people on television, and all tha familiar complaints were trotted ont again: not enough blacks on screen, not enough rôle models for young black viewers, mainstream television ignores black people, "excludes" them, black people don't appear in commercials, and so on.

The mystifying qnestion is, why instead of saying "Oh don't tell such whoppers" did presenter Anna Ford smilingly concur with all this? There is no reason why the black separatists in the studio should have any particular expertise concerning television, but surely the presenter of a specialist series about television should be aware of the current Wimpy commercial, aware of Lenny Henry's campaign for Alpen, aware of Daley Thompson's Lucozade series?

Surely she should know that tha male lead in *C.A.T.S Eyes* is black, that black artists on *Top Of The Pops* frequently outnumber white artists, that news readers Trevor McDonald, Moira Stuart and Zeinab Badawi represent a proportion well above the national figure? When told that there should be more black people on broadcasters' boards of governors should she not point out that black governors already represent more than the national proportion?

No doubt many black people live in areas where there is a high density of blacks, and they seem to expect this to be reflected on television. But television at present is national, and nationally black people represent only 5 per cent or less of the population. That being so, after the transmission of *Network* at 10.40 on 7 June I kept a special watch for black faces on screen.

The next I noticed was at 11.00 pm on tha following night: a black soccer player was being interviewed on BBC1. I zapped immediately to BBC2: it was broadcasting an item about black South Africans. I zapped to ITV: two black boxers were talking. I zapped to Channel 4: it was showing *Craig Goes Mad in Melbourne*, starring the black Liverpudlian Craig Charles . . . Anna Ford's regular co-presenter on *Network*.

Titus Andronicus/The Pit

Martin Hoyle

Deborah Warner'e prodnction may not make a silk purse from a sow's ear of a play, but it goes far towards making a dainty dish to set before a modern audience of this cannibalistic salmagundy of rape, mntilation, murder, adultery and vegetarian propaganda (wot, no incest?). Last year's RSC success has moved from Stratford to the Barbican's Pit and serves as a reminder that the famed shock-horror of *Titus* is part of a mnch hroader and nobler portrait: a rigid obeessive, atrophied into a creakingly abstract code of honour, comes to terms, through suffering and madness, with humanity. The foretaste of *Lear* is all-pervasive.

At times the director's self-conscious tendency to starkly simple effects almost sabotages her good intentions. Too often the crudely semaphoring ovar-emphasis, everything underlined with thick strokes three times, of the low-budget touring theatre with which Ms Warner made her name adds not intensity but comic-strip garishness. Chief sufferer is Estelle Kohler, Indicrously costumed in culottes, lace-up boots and bodice, whose wicked Queen of the Goths emerges as one of the more exotic villains from *Batman*, say, or a rootin'-tootin' saloon balla from a B-feature western. Within these limitations she plays with splendid relish, a Ma Grissom to her gormlessly leering gang of rapist sons, unwittingly preparing for the ultimate (digestive) togetherness.

Over three and a half hours throw up *longueurs* bnt tbe cumulative effect is powerful. Tension sags in the conspirators' archery practice and the slowly-played scene of Aaron the Moor's acknowledgemeot of his black bastard by the Queen (tardiness on cues was to blame); but the juggernaut shape of the play's theme, however barnacled with grotesque dramatic excrescences, looms unmistakably through the bloody Senecan murk.

It is epitomised by Brian Cox as Titus. Stiff-jointed, caked with the dust of countless campaigns, this returning warrior is happier with action than speech, and happier with either than tbought. Cocking his head, grinning as if to say "Yep, that's me," cackling into inarticulate laughter, the old soldier has rusted into Emperor's Regulations propriety, beyond which he sees little. Punch-drunk bluffnesa already ebades into whimsical yelping eccentricity so that madness comes as no surprise. What Mr Cox must cut down is the falsetto yowl which be over-uses in the course of three bours until it becomes the most nerve-grating mannerism since Maggie Smith's arms. But mucb can be forgiven for his courteous salutation, at the climactic feast, of "welcome – *all*" with a nod at the pie wherein the Empress' sons await like veal and ham (no reflection intended on Piers Ibbotson and Richard McCabe).

Dooald Sumpter disappointingly has a trick, also over-deployed, of lowering his voice in inverse relation to the emotional depth of his lines; again, tbe required intensity never materialises. *Titus* is not the best play to show off your subtlety. Sonia Ritter is better at twitching through the lump of mntilated flesh that the abused Lavinia becomes than in tbe sligbtly stilted delivery of ber pre-tongue-ripping lines. One major cavil: after giving us black medieval Scots nobility at the cost of credibility, the RSC now casts a self-advertised black cbaracter ("coal-black," "thick-lipped") as no darker than a Camden Town Greek. The dicbotomy between Peter Polycarpou's vigorous utterance of Aaron's lines and the sentiments they express is noticeable. A final word for Mike Dowling, not merely for the dignity of his princely murder victim but for the thankless job of clown, joking his Ulster-accented way througb the gory miasma when the dazed and nervously expectant audience least wants him.

Alastair Muir

Brian Cox and Donald Sumpter

Bare Necessities!/Belgrade, Coventry

Michael Coveney

Rob Bettinson is the Catherine Cookson adaptor enjoying a modest hit with *The Fifteen Streets* at the Playhouse in Charing Cross. His first original stage play is a robust camping comedy currently packing them in to the Belgrade, Coventry, and deservedly so. It is crude, but it is lively, and it touches on a very serious national malaise.

That is the curious obsession of otherwise sane British lower middle class folk with the discomforts of holidays under canvas. Bettinson's crew are weekending in the Lake District, although the first silhonetted sucker we see is a distraught mother, Charmain, wbose husband has dumped the family under the stars for weeks while tying np deals and following other attractions.

His business, Health and Happiness, is a hangover from 1960s Lancastrian wbolefood ideology and his old friend Greg still carries a torch for Charmain. Greg is on the same site of grey boulders and droopy pine trees, as are a redundant Stockport eccentric, his girlfriend from the local pub, and a couple of designer climbers in candy-striped skins, dark glasses and a tent, where they energetically copulate, like an aerated space module.

As in Ayckbourn, whose outdoor plays this one resembles slightly, we do not see the children. The Candid Camera approach to campfire catastrophe was the subject of two particularly fine TV plays of the last 20 years, Peter Nichols' *The Gorge* and Mike Leigh's *Nuts in May*. Invariably, the subjects are betrayal of old comrades and the rising sap of boliday sex.

Charmain (Carmen Rodriguez) is taking afternoons out with slim blond Eddie (Duncan Piney), but does so, interestingly, fired by both boredom and revenge. Offstage jungle incidents precipitate the bumiliation of the Stockport failure, beautifully played by Brian Poyser, who reverts to a Johnny Weissmuller act after bestriding the fells in defiance of his companion's advice.

The mechanics of the play depend on illicitly overbeard encounters in adjacent tents. This lends mnch opportunity for outrage, surprise and downright disgust. I also like the concentration on the sheer terror, for me, of sucb pbysical circumstances with regard to personal bygiene. Going to the lavatory bnt is a complicated military manoeuvre. As Madge Hindle's forthright and very funny barmaid sums it np, such outings boil down to talking to sheep and farting all weekend.

The author does not yet share Ayckbourn's skill of establishing tbe history of relationsbips through their visible disintegration, even if be pinches a few details such as the shop-lifting daughter. But be does, in Charmain, bring a wasted life to ligbt, and, as his own director, is most sensitive in strongly isolating key dialogue excbanges in a downstage glare.

The play goes off the rails with the arrival of Charmain'e busband – who has just taken a crash course in hang-gliding. The last scenes are filled with information we should either not have or should have had two bours ago. But I warmed to the stylistic formality of excluding the chaps in their sleeping bags while the girls take momentous decisions. Mary Healey and Christopber Saul are tbe second, catalytic ootple, Julie Teal a delectable outdoor type.

Murail/Almeida Festival

Richard Fairman

The English summer weather almost claimed another victim with Monday's late evening concert in the Almeida Festival. A number of leaks in the roof of the Union Chapel played havoc with the rehearsals for a new piece – the British première of Tristan Murail's *Random Access Memory* – and when the audience was finally let in for the delayed start of the event, they had to climb over a number of strategically placed buckets.

A statement issued by the Ensemble L'Itineraire warned that their playing would include an element of improvisation, but that was not in any case foreign to the general atmosphere of the work. Murail's aim in this piece is to find some correspondence between his own musical language and standard rock music, and the two styles are allowed to drift along side by side without the composer apparently wanting to generate any tension or strong sense of direction from them.

Easily the most captivating moments of the score are those in which Murail's own voice speaks uninterrupted. A combination of electronic keyboards and tubular bells, with even the addition of taped angelic voices for one brief section, conjures a hazy, iridescent sound world for which Murail seems able to find an inexhaustible supply of bright and oonstantly glistening textures. If one did not already know he was a pupil of Messiaen, it would surely be easy to guess.

Against this attractive background the periodic irruptions of rock oome as a forceful, and not wholly welcome, intrusion. For while they provide an important focus of attention for the listener, the repetitive rhythms of guitar and drums (which is about as far as Murail allows this side of the work to progress) come across as empty gestures of a fairly low order of inspiration

Perhaps the work tries to embrace too much – a feeling enhanced by the addition of an accompanying light show (not managed with much conviction here) and a whole host of literary allusions claimed by the composer in the programme. Stripped of all these outside influences, Murail's own musical spirit might stand openly, and more successfully, revealed.

El Gran Teatro del Mundo/Vicenza Festival

William Weaver

The Vicenza Festival – now in its fifth year – has one splendid advantage at its very outset: the use of Palladio's Teatro Olimpico, last work of the master (wbo died, in 1580, when construction had just got under way). In 1585, for the Olimpico's inauguration, Palladio'e disciple and successor, Vincenzo Scamozzi, designed and built a wooden set, representing the city of Thebes (the first play given was *Oedipus the King* of *Sophocles*). The set has remained and, with its steep, canny perspective and its handsome, elaborate little palaces, is still exciting to see, especially when in use for a performance.

This year's festival opened, in the Olimpico, with a special production of the "auto sacramental" of Calderon, *El Gran Teatro del Mundo*, a work of uncertain date (bnt presumably around 1640), rarely staged, yet of considerable literary influence: on Hofmannstahl, for example, who – with Max Reinhardt – adapted it for Salzburg in 1922.

The work "fits" beantifully into the Olimpico, and the Italian translation sounded well. Unfortunately, the prissy direction of Giorgo Marini, based on a distorted enunciation full of misplaced caesuras, made the text almost impossible to follow and definitely impossible to enjoy. Obviously, no one wants to hear a grand baroque poem be spoken in the style of the Actor's Studio, but the mannered, foolish recitation of nearly all the actors (Piero De Iorio, as El Mundo, was virtually unbearable) marred the occasion.

Fortunately, Marimi lighted the stage imaginatively, and Pasquale Grossi designed handsome costumes, appropriate to the setting. And – an extra benefit – Italo Gomez, artistic director fo the festival, decided to use some almost unkoown incidental music composed by Manuel De Falla in 1927 and, after that, forgotten. Reconstructed by Antonio Gallego, the half-dozen little pieces, which Falla based largely on earlier music (one is a haunting version of the "Dresden Amen"), served as affecting musical punctuation of the performance. The Giovani strumentisti del Veneto, the chorus of San Felice, Vicenza, and the countertenor Emanuele De Checchi executed the music to perfection.

Frequently moralists complain that festivals are ephemeral, that too-large sums are spent for transitory entertainment. Others, less stern, might argue that genuine pleasure is worthwhile, even it it comes at a high price. In any case, this Calderon staging has also produced something more permanent: the handsome informative volume, edited by Paolo Pinamonte, *El Gran Teatro del Mundo*, which includes not only the original text and an Italian translation, but also a series of valuable essays, including one on the Falla music (also reproduced in facsimile).

Arts Guide

July 1-7

THEATRE

LONDON

The Common Pursuit (Phoenix). Second London chance for flawed Simon Gray comedy about Cambridge graduates in love and publishing. Anthor directs good young cast of comedians including Rik Mayall and Stephen Fry. (836 2294, credit card bookings 240 9661).

Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing. (379 6107).

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair.

The Phantom of the Opera (Her Majesty's). Spectacular, emotionally nourishing new musical by Andrew Lloyd Webber. (839 2244; credit cards 379 6131/240 7200).

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. (379 5399).

Back with a Vengeance (Strand). Barry Humphries, indisputably the outstanding vaudevillian of the age, has extended his triumphant London season to July 9. Dame Edna Everage has now earned full immunity to good taste, while the bibulous diplomat Sir Les Patterson touches new heights of degradation. (836 2660/4143).

Hapgood (Aldwych). New Tom Stoppard mixes espionage, romance and higher physics in a splendidly taut and clever entertainment. Felicity Kendal is the eponymous intelligence agent, Roger Rees and Nigel Hawthorne in elegant support. (836 6404; credit cards 379 6233).

NETHERLANDS

Amsterdam, Stadsschouwburg. The English-Speaking Theatre of Amsterdam continues its 10th anniversary summer season with Beyond Silence, a multi-faceted exploration of the female imagination (Fri, Sat), followed on Thur (try-out Wed) by the première of James Saunders' Next Time I'll Sing to You, centred around the Essex hermit Alexander James Mason. (24 23 11).

NEW YORK

Fences (46th Street). August Wilson's powerful tale of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (221 1211).

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline. (239 6262).

A Chorus Line (Shubert). The longest-running musical ever in the US, Chorus Line has supported Joseph Papp's Public Theater for eight years. (239 6200).

Les Misérables (Broadway). Led by Colm Wilkinson, repeating his West End role as Jean Valjean, Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its US incarnation: the skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery in distract from the hackneyed pop music and trumped-up, silly plot. (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. (947 0033).

WASHINGTON

The Search for Signs of Intelligent Life in the Universe (Eisenhower). Lily Tomlin repeats her award winning solo performance of the crazy people who inhabit her funny and strange imagination. One major segment explores the women's movement over the past decade. Ends Aug 7. (254 3670).

Les Misérables (Kennedy Center Opera House). The touring company of the international hit of last season brings in Washington the historical sweep of Victor Hugo, set in rousing music and an insistent contemporary beat. Ends Oct 15. (254 3770)

CHICAGO

Pal Joey (Goodman). Set in Chicago in the 1940s, this Rodgers and Hart classic, directed by Robert Falls, follows in haunting melodies the escapades of a classic heel caught between the one who loves him and the rich lady he wants. Ends Aug 7. (443 3800).

TOKYO

Kabuki (Kabuki-za). The kabuki theatre's greatest showman, Ichikawa Ennosuke, stars in a complete version of one of the most famous plays in the kabuki repertoire, Yoshitsune Sembonzakura (The Thousand Cherry Trees). The performance is in two parts, at 11am and 4pm, but the play is little more than a series of loosely linked episodes. Act VII features Ennosuke's portrayal of the fox, Tadanobu, with its magical quick changes, acrobatics, and a climactic flying exit. (541 3131).

Noh (National Noh Theatre). Wednesday sees a double bill consisting of the noh play Hotoke no Hara, and a comic interlude (kyogen). (423 1331).

Hamlet (Tokyo Globe, Shin-Okubo). The Royal Dramatic Theatre from Stockholm brings to Tokyo an acclaimed production (in Swedish) by Ingmar Bergman. The Globe is a new theatre, designed by RIBA gold medallist Arata Isozaki, and is a witty pastiche, pink outside and various shades of grey inside, of the Elizabethan original. The bare thrust stage throws the focus entirely onto the actors. Ends July 9. (343 4751).

Opera-za no Kaijin, better known as The Phantom of the Opera (Nissei Theatre). Japan's leading musical company, Shiki, acquits itself well in what is a virtual carbon copy of the London original. The Japanese translation is often awkward, but Andrew Lloyd-Webber's gift for musical pastiche, Harold Prince's romantically evocative staging and Maria Bjornson's stunning sets and costumes make for an enjoyable evening whether yon understand the words or not. (503 3111).

The Mahabharata (Ginza Saison Theatre). The great Indian epic, dramatised by Jean-Claude Carrière and staged (in English) by Peter Brook and his international troope of actors from Paris. In three parts, performed either on successive evenings or on a single day. Full of enthralling images of earth, fire and water, but not without its longuers, especially in the final part, which consists of e repetitive series of battle scenes. Ends July 27. (535 0555).

Saleroom/Antony Thorncroft

Judith untriumphant

It was just like the good old days at Christie's yesterday with two auctions of the tried and the trusted, objects likely to appeal to connoisseurs rather than buyers of art for investment.

There were disappointments, however, in the sale of European sculpture and works of art, which totalled £204,314, but with 42 per cent unsold. One major casualty was a bronze statuette by the late 16th century Venetian artist Tiziano Aspetti of Judith triumphant over Holofernes. It is reckoned to be the best example of this composition to have survived but was unsold at £32,000.

Top price was the £39,600, within target, paid for a mid 17th century marble bead of Queen Christiana of Sweden portrayed as the "Athena of the North." It comes from a statue badly damaged in Germany during the Second World War and has been subject to much conjecture. It was once attributed to Bernini but is now credited to Giuseppe Peroni wbo visited Stockholm in tba early 1650s.

A pair of 17th century Florentine bronze groups of wrestling pairs of young men and women, attributed to Ferdinando Tacco, sold for £22,000, and an early 16th century Franconian polychrome and gilt limewood relief of the Annunciation was at the bottom of its estimate at £11,000. A 15th century English polychrome alabaster panel of the assumption of the Virgin, from the Fermor-Hesketh collection, was sold before the auction by private treaty to the Nottingham Castle Museum.

Old Master drawings have been a strong market of late, and one in which the clever collector can pick up a bargain. The bead of a bearded man, attributed to Il Perugino was at the top of its forecast at £24,200. An album of portraits of Bolognese historical figures by the 16th century artist Bartolommeo Passarotti sold for £20,900, above estimate, while "Hercules with an attendant attacking Cerberus at the entrance to Avernus," attributed to the school of Francesco Squarcione, tripled its estimate at £19,800.

Bloomsbury Book Auctions has celebrated its fifth anniversary witb a eale which totallad £194,000. The top price was the £13,200, above estimate, paid for the first French Protestant Bible translated in 1535 by Robert Olivetan, but perhaps of wider interest were the prices paid for modern first editions. Graham Greene's 1937 novel *The Power and the Glory*, with the so essential original dust jacket, sold for £990, and from the same year, Evelyn Waugh's *Black Mischief* and *A Handful of Dust*, each one of twelve copies signed by the author, also made £990 each.

At Phillips yesterday there was a good price of £59,400 for a painting by Ludwig Dentsch of a Moorish prince with his musician.

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The future of Namibia

THE VISIT to London this week of Dr Jonas Savimbi, leader of Angola's Unita rebel movement, comes at a critical stage in efforts to end the country's 13-year civil war and implement a UN settlement plan for Namibia (South West Africa).

Tension in the region has reached dangerous levels, as the recent clashes between South African and Cuban troops illustrated. Cuban forces, taking advantage of their superior air cover, have moved south to within a few miles of the Namibian border, and South Africa has mobilised some of its reservists.

Conference table

It is possible for an intensification in hostilities to run parallel with progress at the conference table, as the 1979 Lancaster House talks on Rhodesia's independence showed. But unless the fourth round of negotiations due to resume shortly in New York starts to show results,conflict on the border could become more serious.

So far those negotiations have been dominated by efforts to bridge the gap between South Africa and Angola over the withdrawal of the 40,000 or more Cuban troops in Angola, which botb the US and South Africa have msde a precondition to Namibia's independence.

Pretoria has proposed that the withdrawal run approximately parallel to the implementation of the UN plan for Namibia, taking place over a year. Luanda has offered a four-year timetable.

This dispute alone will be difficult to resolve. Also on the agenda, however, is the role of Dr Savimbi and Unita. Pretoria and Washington insist that Unita has a role to play in the regional peace package drawn up by Dr Chester Crocker, the US Assistant Secretary of State for Africa. The two governments argue that Angola's President Eduardo dos Santos should reach a negotiated settlement with Unita which gives Dr Savimbi a place in what would amount to a coalition government.

For its part, the Angolan government is putting forward a counter demand: that the US should agree to end its support of Unita as part of the terms for a Cuban withdrawal.

All three governments will have to make concessions if the talks are to make progress.

Washington has never recognised Angola's avowedly Marxist MPLA government, which needed Cuban help to secure its victory over South African-backed Unita. An agreement to hold free elections fell apart in the chaotic months of 1975, the year of independence. Today the Reagan administration endorses Dr Savimbi's call for a mixed economy and multi-party elections, and arms him with Stinger ground-to-air missiles designed to offset Cuban superiority in the air. Washington's snpport for democracy in Angola might be more convincing if leaders of African countries with whom the US has a particularly close relationship – such as Zaire – were put under greater pressure to reform their anthoritarian systems.

Nor does Pretoria's call for a coalition stem from a concern for civil rights in Angola. President P W Botha finds Dr Savimbi a valuable ally in South Africa's battle against a Cnban-backed government which provides bases not only for the Swapo guerrillas fighting for Namibia's independence, but for the African National Congress's military wing.

A negotiated end to the civil war is a course being discreetly explored by many African countries, so far with little effect. Dr Savimbi remains anathema to the MPLA (although some in that party might countenance a deal with his lieutenants).

The question is whether the objective of seeking a reconciliation between the warring parties in Angola should prevent implementation of other elements of the regional peace package Dr Crocker has framed.

Cuban allies

It should not. President dos Santos may have to accept the Reagan administration's support for Unita, even though there would be little justification for it in the event of a Cuban withdrawal. An end to South African support to Dr Savimbi via Namibia should more than offset for President dos Santos the loss of his Cuban allies.

Angola's civil war would be left unresolved. But foreign troops would be out of Angola and Namibia would be independent. It is an imperfect solution, but it may be the best that can realistically be hoped for.

Grasping nettles in the City

MR DAVID WALKER's first public statement as chairman of the Securities and Investments Board, the agency set np by the Financial Services Act to oversee Britain's investment industry, was a matter of unusual interest in the City of London. The question was how far his appointment would mark a break with the agenda set by his predecessor, Sir Kenneth Berrill, whose approach to the job earned him much criticism from investment firms on the view that be was interpreting his brief too literally.

The answer, to judge by yesterday's speech, is that the new investor protection framework is going to be given a proper chance to prove itself. There is obvious room for improvement, the particular need being to win the support of practitioners for the changes which are being pushed throngh. But there will be no U-turn. This will disappoint those who mourn for the good old days when gentlemen could be relied on to do the decent thing. But the priorities set out by Mr Walker will deserve a cautious cheer from everyone else.

The programme established by Sir Kenneth, his enemies said, threatened to stifle the financial services sector under a blanket of bureaucracy. The opposite view was that squeals from the City of London were inevitable: Britain's shaky system of investor protection could not be strengthened without opsetting quite a few vested interests. Would Mr Walker, whose previous job was at the Bank of England, see himself more as a sponsor of the City than as a regulator who would have to knock a few quite respectable heads together in order to show he meant business?

Robust intentions

Mr Walker says he intends to be robust. Indeed, there could be some sparks flying in the near future, given his entirely sensible view that the best opportunity to grasp any necessary nettles will come during the current period in which firms are being authorised to do business under the Act.

Ha argues persuasively that good regulation is not a zero-sum game, with the gains to investors being offset by the cost burden on intermediaries. On the contrary, markets will generate more business if investors believe they are going to get a fair deal. He is at one with Sir Kenneth on some of the most controversial issues brought up by the regulation – notably, polarisation, the division of intermediaries between those who only act for one principal and those who are independent and can therefore offer a range of different companies' products. And he is not in any apparent hurry to seek changes to Section 62 of the Act, which is the one that allows clients to sue their investment companies if they lose money as a result of a breach in the rules.

SIB rulebook

The one major difference with the old regime lies in the recognition which he gives to the view tbat the SIB rulebook is too detailed and specific: that valuable practitioner snpport has been jeopardised by the fact that the rule book does not leave the players much room to exercise their judgment in particular cases. This is important, since as Professor Charles Goodhart of the London School of Economics pointed ont at the same forum, no system of statutory regulation can function adequately on its own without the willing support of those who are being regulated. No one ever thought that the SIB would get it all right first time and now is an appropriate moment to set up a study into whether the system can be simplified.

Obviously, all kinds of questions still have to be answered. How limited will the planned compensation scheme be in practice? What exactly does Mr Walker mean by the suggestion that a securities regulator should be concerned with the protection of a particular group of institutions which might otherwise be damaged by some bias in the regulatory system? Overall, though, the most welcome feature of yesterday's speech was the priority which it gave to protecting investors. As Mr Walker put it, the regulator has to be readier to intervene than to stand aside when there is any ground for doubt about the protection available to clients.

Guy de Jonquières looks at prospects for Europe's Airbus programme at a critical time in its development

A business in need of a flight plan

TWO DECADES after it was launched as a tentative and idealistic experiment in European collaboration, the Airbus programme seems finally to be approaching cruising speed.

With about 1,100 orders and roughly 20 per cent of sales to the non-Communist market, it is the only serious challenger in the commercial aircraft business to Boeing and McDonnell Douglas of the US.

It is also the first passenger jet aircraft venture in Europe since the Second World War to come close to the production volumes needed to survive in a business ruled by massive economies of scale. With air travel growing strongly and mnch of the world airline fleet coming up for replacement, Airbus appears well placed to share in a surge of demand expected to last well into the next century. Yet, at what should be a shining hour for Airbus, two unrelated developments have cast a shadow over its future.

- One is the crash 10 days ago of a brand-new A320 model in Mulhouse, eastern France – the effect on sales can still only be guessed at.
- The other is the mounting strain of severe financial pressures on the rickety business structure of Airbus. The dangers were spelled out starkly in a report in April by four independent "wise men" commissioned by the governments of the Airbus partner countries – France, West Germany, Britain and Spain. The report concluded that, without an immediate and radical overhaul of management, the programme risked foundering on uncontrollable losses and production delays.

Given the lengthy and uncertain payback on civil aircraft, Airbus had never been expected to be profitable by now. What has alarmed governments is huge additional financial burdens due to the weakness of the dollar, the currency in which commercial aircraft are sold, and a fierce price war as Boeing sought to fend off Airbus's sales onslaught. On top of that, a dispute with the US over Airbus subsidies has raised the spectre of a transatlantic trade war.

Airbus is one of the most heavily supported industrial ventures in European history. The precise total of aid, like most other financial information about the programme, is unknown, thougb accountants Coopers and Lybrand recently estimated it at $13.9bn (£8.3bn). If repaid on commercial terms, which seems unlikely, that would amount to a charge of $10.2m on each of the 1,650 aircraft which Airbus hopes to deliver up to the end of the century.

Its cash needs are set to rise still further with the build-np of volume prodnction and development of the A330/340 long-distance models planned for the early 1990s. Currency changes have dimmed earlier hopes of recouping much of the cost out of sales of the short-haul A320, which has won more than 300 firm orders.

Though the dollar's recent recovery has eased the strain slightly, the pain remains acute, above all in West Germany, whare the D-Mark valne of expected A320 revennes is half what was forecast when the programme was launched five years ago. Beyond that, the Mulhouse accident inevitably raises questions about tha firmness of existing A320 orders and the prospects for further sales.

Under growing budgetary pressure, the Airbus governments are pinning their hopes on making the programme more efficient and self-reliant. They aim by the end of this year to implement most of the "wise men's" report, which calls for a unified Airbus management structure, more transparency of finances and stricter cost control.

At the centre of the system is the Toulouse-based Airbus Industrie (AI), owned by the four partner companies, Aerospatiale of France, Deutsche Airbus, a financing arm of MBB of West Germany, British Aerospace and Casa of Spain. But AI has authority only for sales. Prodnction is handled separately by its four shareholders. On top of this loose and divided structure sits a cumbersome 20-member supervisory board. Chaired by Mr Franz-Josef Strauss, Prime Minister of Bavaria and veteran champion of Airbus subsidies, it meets only twice a year.

Though the programme works quite well at technical level, its management and financial controls are primitive. Not only does AI, as a French *groupement d'intérêt économique*, publish no proper accounts: its shareholder-contractors give it so little financial information that it has little control over what they charge it for production work.

However, reforming Airbus is likely to be a struggle. Despite their public support for the report, all four companies are said by insiders to be resisting change. The leading personalities involved, including the rumbustious Mr Jean Pierson, AI's president, are all jockeying hard for position, while Mr Strauss's role will call for particularly sensitive political handling.

Airbus is also creating other problems for the West German and the British governments. Bonn is seeking desperately to rednce its financial exposure by getting the Daimler-Benz motor gronp to acquire 30 per cent and effective control of MBB. Daimler, already stretched by other recent high-technology acquisitions, is hanging back. It considers Airbus a poor business proposition and is demanding government guarantees against future losses.

In London, the German imbroglio is being played out in mirror image. Having agreed to relieve a grateful state of the Rover vehicle group (subject to approval in Brussels), British Aerospace is seeking from the Government

End May 1988

	A300	A310	A320	Total
Firm orders	318	158	319	795
Customers	41	30	20	71
Aircraft delivered	283	127	3	413
Firm order backlog	35	31	316	382

	A330	A340	Total
Commitments	41	108	149
Customers	4	6	12

unspecified "insurance" on its Airbus liabilities. Professor Roland Smith, BAe's chairman since last September, says: "If governments want a European aerospace industry, governments have to find a way to finance it."

As the only Airbus member company which is wholly privately owned, BAa has special concerns. However, its stand is a shade disingenuous. Britain rejoined the Airbus programme in 1979 at the urging of the company, which continued to insist long after it was first privatised in 1983 that Airbus was a sound commercial bet. There is also a strong belief in Whitehall that BAe has been somewhat leisurely about cutting costs.

Nevertheless, BAe's hand-wringing and Daimler's recalcitrance point to a genuine dilemma. The stronger the government pressure on national aerospace industries to act commercially, the greater their reluctance to accept liability for Airbus without further public support. "Governments have got themselves into a box, and they know it," says a senior European diplomat.

One way to lighten the burden would be for Airbus to form a strategic risk-sharing alliance with a US partner. As well as spreading the cost of developing new aircraft, that could defuse the trade dispute with Washington, guarantee access to American technology and strengthen Airbus marketing in the US – almost half the world market.

However, 18 months of spasmodic talks between Airbus and McDonnell Douglas have so far yielded no results. Neither manufacturer is ready to drop models which compete directly with the other's range. Some in Europe also suspect that AI, which is leading the negotiations, fears a deal with a strong transatlantic partner would be at the expense of its own influence.

Sir Geoffrey Pattie, a former British Industry Minister with close contacts in the aerospace industry, thinks much firmer political direction is needed. He suggests BAe should be offered "insurance", provided it undertakes to get a US company admitted to the Airbus programme and to share some of its own work with it. Here again, a solution would lead straight back to governments.

Indeed, on any reckoning, Airbus's prospects of becoming commercially self-sufficient look doubtful, and several governments seem to have reconciled themselves to the expectation that it will always need some state support.

The Europeans have tacitly conceded the point by arguing that the US commercial aviation industry owes its strength largely to Pentagon funding. Though the value of that aid has probably diminished, the history of commercial aviation suggests that it is far from being a moneyspinner.

So why Airbus? The answer lies partly in the sheer *machismo* and mystique of the industry, which enthral governments as much as the companies involved. As one American Industry expert puts it: "Nobody is in this industry for rational motives." Deep down, there is a powerful belief that self-esteem demands that serious countries make serious aircraft. In the case of Airbus there is also the potent symbolism of European collaboration.

Even the four "wise men", bard-headed businessmen all, aver that it has captured the imagination of the people. Several also argue that Europeans must do whatever it takes to stay in aerospace becausa it is the only major high-technology manufacturing indnstry wbere they still stand a chance against the US or Jepan. But in strict economic terms, the case for an industry with long-term prospects of, at best, only marginal profitability, is far from conclusive.

Europe's huge investments in Airbus are sometimes also defended on the grounds that it has inspired other types of economic and industrial unification. But the thesis is much less easy to substantiate than its reciprocal – that to abandon Airbus now would be a humiliating setback to European collaboration. And while aerospace undoubtedly forces the pace of technological innovation, the spin-offs are notoriously difficult to measure. It is correspondingly hard to demonstrate that the benefits outweigh the costs or could not have been obtained more cheaply soma other way.

The contention that Airbus is saving the world from the threat of a Boeing monopoly is also dubious since tha main victim of Airbus's success to date is McDonnell Donglas, not Boeing, which is flush with orders.

Probably the most persuasive practical justification for Airbus is that it can help counteract lean times in defence procurement, assuring employment for teams of highly skilled workers. This argument is gaining strength as the soaring prices of military aircraft dictata longer replacement cycles and their more specialised design makes them increasingly hard to export.

In some European capitals, concern is growing that these trends spell fewer orders and tougher times ahead for defence contractors. On that view, the price of the Airbus programme could be worth paying, simply to keep Europe's national defence industries in business.

So far, Airbus sponsor governments seem too preoccupied with the programme's short-term problems to have thought through the policy implications of that option. Solving those problems is essential to Airbus's future. But governments are likely to find it equally hard to avoid responsibility in the longer term for a venture which owes much of its impetus to prestige and the notion that it cannot be allowed to fail.

Friday's management page will analyse the working of the Airbus system and prospects for reforming it.

OBSERVER

Mild Italian Scandal

■ Some politicians write their memoirs. Others publish volumes of crypto-political philosopy. Gianni De Michelis, the deputy prime minister of Italy, is about to become the first senior European government minister to publish, with a straight face, a personal guide to the best discothèques in his country.

The rotund and lank-haired De Micbelis is the most senior Socialist politician in Prime Minister Ciriaco De Mita's coalition government. He has long been known as a frequenter of the best parties in Rome, Milan and his native Venice.

The 48-year-old intellectual, who considers himself (among other things) an expert on the restructuring of the telecommunications and chemicals sectors, is frequently seen at salons and gala balls with a tanned and bejewelled middle-aged socialite on his arm. Colour photographs of the deputy premier in discos, doing what be describes as a "maccheroni-like dance", abound in Italian magazines.

None the less, the Italian political world is ever so slightly aghast at the prospect of the De Michelis guide to discos being published next week by Mondadori. The title – Dove andiamo a ballare questa sera? – says it all. (Where shall we dance this evening?)

In an interview with the weekly Panorama magazine, De Michelis explains: "When I had the idea for this book a year ago I certainly did not imagine that I would become deputy prime minister."

His dancing partners describe him as "light on the floor despite his obesity." He claims himself that by spending his nights in discothèques after a hard day in cabinet meetings he is able better to understand the "most important social meeting place of the young people, after the family and school."

Dancing, says the deputy premier, "is the only physical activity I allow myself." How did he find the time to assemble a detailed guide to 250 discos as well as doing his political duties? "I was helped by six girls."

Illustrating Alice

■ "Do you know Mr Tenniel well enough to be able to say whether he could undertake such a thing as drawing a dozen wood-cuts to illustrate a child's book?"

So wrote Charles Lntwidge Dodgson (alias Lewis Carroll) to a friend. It is hard to believe in retrospect that the relationship between Tenniel and Carroll was so precarious. Tenniel agreed to illustrate Alice in Wonderland, but delivered late. For a long time he refused to have anything to do with Through the Looking-Glass and even when he relented he took another three years to produce the work.

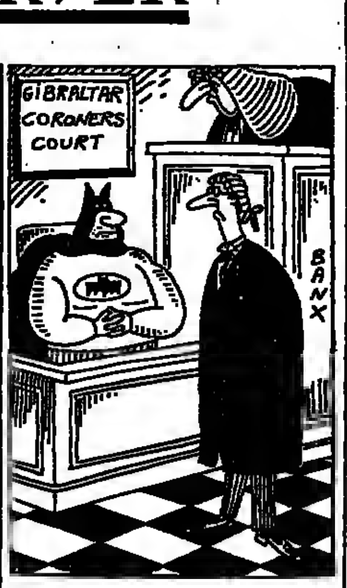
Some of the prints from the original engravings are now briefly on view (till July 7) at an exhibition organised by Macmillan Publishers at the St Bride Printing Library, just off Fleet Street. Macmillan is publishing a limited edition, price £775 if ordered before the end of the year, and £950 thereafter.

The prints emerge as cartoons with lines from the books as captions underneath. There is Alice talking to the cat: "What have you got to say for yourself? Now don't interrupt me." Almost the British political cartoon of our time.

Chauvinist dons

■ It is not surprising that only one per cent of members of the Institute of Mechanical Engineers are women. Indeed the actual figure - 771 – may even seem rather higher than one would expect.

In some other professions, however, the numbers are still astonishingly low. The most remarkable is academic life where only three per cent of university professors are women: a total of 124. I can think of no explanation for that except academic male chauvinism. After all, women now make up 39 per cent of the university student population.



The figures come from a round up of female participation in the labour force in the July issue of Lloyds Bank Economic Bulletin. The one institution, apart from the medical profession, that comes out relatively well is the Diplomatic Service where 24 per cent of the members are now women: a total of 735.

The racing lobby

■ A cross party alliance in the House of Lords has forced the Government to think again about the action needed to clarify the status of stud farms for rating purposes. The rebellion follows a ruling by the Law Lords last December thet the breeding and raising of horses is not an agricultural activity.

Until that time stud farms counted as agricultural buildings and were exempt from rates. The Government attempted to take account of the changed legal position in the Local Government Finance Bill by retaining a strictly limitad exemption designed to benefit farmers who keep one or two horses for their own enjoyment or for breeding on a small scale. That led some leading figures in the racing establishment to lodge an objection.

The Earl of Caithness, Minister of State at the Department encountered so much opposition when he sought to explain why the objection had been overruled this week that the Government has decided to have "third thoughts". Further consultations with the horse breeding industry are promised.

No tax on pot

■ Has the European Court of Justice gone to pot?

The Court effectively ruled yesterday that it could do nothing to stop the tax-free sale of hashish when it came down in favour of an Amsterdam youth clnb, known as the Happy Family Association.

The club is a favourite among small-time dealers in soft drugs. Selling hashish is illegal in Holland, but the Dutch authorities like to show their liberalism by not prosecuting small dealers. They asked, however, for payment of VAT.

The club appealed to the Amsterdam local court and from there to the European Court on the grounds thet illegal transactions should not be liable for legal taxes. It won because, as the Court said, illegal drugs are not considered part of Europe's VAT base by the EC's 6th directive.

Falling market

■ Perhaps the climate of detente is deceptive or, at any rate, it is time to bny a nuclear fall-out shelter when prices are low.

Southern Engineering Co of East Croydon is advertising its patented indoor and outdoor survival shelters – "engineered like no other shelter in the world" – at prices between £1,600 and £45,000. The supernova model has a capacity for five persons for six weeks. The ad appears in this week's Illustrated London News.

Bahrain turns sour for the bankers

Our special correspondent reports on the troubles of a once fast-growing and confident island

"THERE IS an extraordinary demoralisation on the island. From a financial point of view it's a disaster. I've recently been asking myself what on earth we are doing in Bahrain."

These are the words of the chief executive of a Western bank which is well established in Bahrain. His comments were prompted by the news thet the Bahraini ruling family had withdrawn proposals to two international banks, Standard Chartered and the British Bank of the Middle East, for the settlement of its members' debts. But the banker's words also reflect a deep unease with the island's political and economic situation.

In the last three years, Bahrain has been as badly affected by the fall in oil prices and by the Gulf War as its neighbours, Kuwait and Saudi Arabia, but because it has not suffered terrorist bombings or engaged in diplomatic battles with Iran its troubles have been little noticed outside the region.

They are important, though, because Bahrain is one of the most pro-Western — and certainly the most pro-British — of the states in the Gulf. It is, or was, an important banking centre. For more than 20 years, it has been regarded by Western companies as the most relaxed and sophisticated of the Gulf countries — an obvious place for a base.

Bahrain is the only one of the Arabian peninsular oil states that has a working class

Bahrain is also the support centre for the US navy's operations in the Gulf. It has not liked to publicise this fact and American sailors have never been allowed ashore. It is likely to be even more sensitive about the base following the shooting down of the Iran Air Airbus.

In Western eyes, the most obvious of Bahrain's problems has been its decline as a banking centre. In the later 1970s and early 1980s, it attracted about 80 foreign banks, which developed important business in international syndicated loans and lending into Saudi Arabia, particularly to contractors.

The banks not only brought revenue, in a *small country such as Bahrain they* and their expatriate managers provided a large amount of employment. The island's population is believed to be about 400,000, of which 100,000 are Asian and Western expatriates.

Now the offshore banks' loans have turned sour, mainly because of the default of sovereign borrowers in Latin America and the stagnation of the contracting business in Saudi Arabia. The onshore banks have been hit by the domestic recession and, particularly, by the defaults of some members of the ruling Khalifa family. Given the power of the sheikhs and the unsympathetic attitude of the courts, banks in Bahrain have much less chance of recovering their loans from the forced sale of their debtors' assets than they would in the West.

There have also been defaults by some members of the merchant community, though two at least of the best known business families, the Kanoos and tha Almoayyeds, have been scrupulous in honouring their debts.

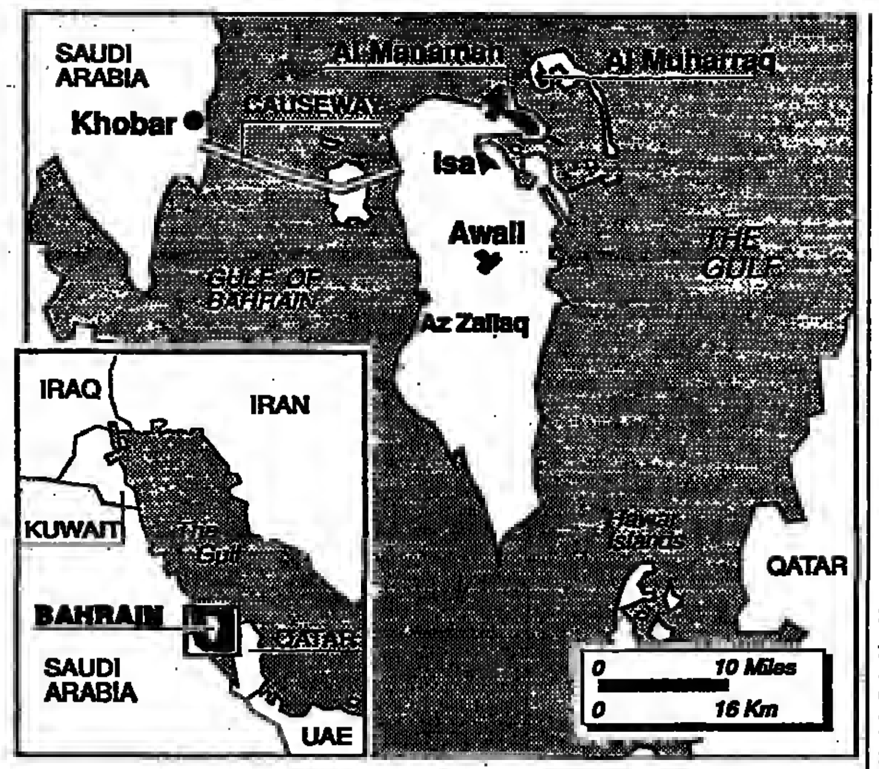
About 10 of the offshore banks have left the island. Most of those that remain have closed their dealing rooms or greatly reduced their staff. In effect they *are little more than representative offices.*

Other parts of Bahrain's service economy have fared nearly as badly as banking. Three major airlines, Swissair, Japan Air Lines and Singapore Airlines, have recently stopped calling at its airport, which entails losses for the Government and the hotels and is a psychological blow. Ever since Imperial Airways began flights to the Far East in the 1930s, Bahrain has thought of itself as an air communications centre.

As the new long-range versions of the Boeing 747 come into service, enabling airlines to fly from Europe to the Far East non stop, it is likely that services through Bahrain will be further reduced.

Companies no longer see the island as the natural place for their regional headquarters. Instead they are choosing Dubai, which is seen as richer, livelier and more enterprising.

Much the most serious problem is the loss of employment. Bahrain is the only one of the Arabian peninsular oil states that has a working class. The other countries all have sufficient oil revenues for their populations to take careers as landlords, businessmen or civil servants;



industrial jobs are done by immigrants. But Bahrain, which has one tiny oilfield and last year received oil revenues of only $900m, has had to develop industries — aluminium smelting, refining and ship repair — and service businesses to provide its people with jobs.

The Bahraini labour force is about 80,000. As in other states in the area, half of the population is under 19 and 4,000 school leavers come on to the job market each year. By the end of the century the labour force is expected to double.

Despite the Government's efforts to build new industries and have Bahrainis replace expatriate labour, the creation of new jobs is not keeping up with the flow of school leavers. There is an expanding pool of unemployed.

All of these economic difficulties are *made more serious* by Bahrain's politics. Between 60 and 70 per cent of the population are Shias, members of the unorthodox, mystical sect of Islam, while the ruling Khalifa family and the families closest to it are Sunni. The Al-Khalifas, who are of central Arabian desert stock, took the island 200 years ago, when the indigenous Shia people lived by fishing and cultivating date gardens.

Since the conquest, the Al-Khalifas' relations with their subjects have been less egalitarian than relations between sheiks and people in other Gulf emirates, where the ruling families have come from within the communities.

Tha Bahraini Shias are not oppressed. There are some successful Shia businessmen and a few Shia ministers. Yet the Shias, on average, are poorer than the Sunnis and they are very conscious of being regarded as politically suspect.

Since the Iranian revolution of 1979, the Shias have been the target of ceaseless propaganda from Tehran urging them to rebel against their central Arabian masters. In recent years the revolution has lost much of its allure, but many of the Shias are still divided in their loyalties and some have plotted against the regime. A serious conspiracy was nipped in the bud in December 1981 and since then the anthorities have pre-empted various minor plots and discovered several caches of arms.

The treatment of Shia suspects and reports of several prisoners dying in police custody have fuelled Shia resentment of the Government.

The island's problems and a general worsening of business standards as economic adversity has struck have left the expatriate population feeling less secure.

Bahrain's Government is finding it difficult to tackle all these issues. The ruler, Sheikh Isa, is much loved but has never played an administrative role in government. His middle brother, Sheikh Khalifa, the Prime Minister, who used to have a reputation for being a tough, able man, had a heart attack *two years* ago and has exercised less control over affairs since. Several members of the cabinet have been in their posts since Bahrain became fully independent in 1971.

The island might benefit from a new government with new ideas but, as in other Arabian peninsular oil states, the leaders of the ruling family seem to have a horror of changing their cabinets and have been unwilling to contemplate the introduction of any form of democracy. This inability of the ruling families to change as societies change around them is one of the major weaknesses of government in the Arabian peninsula.

Ten years ago Bahrain was a fast-growing confident island, respected by expatriates in the Gulf as a decent, civilised place. Now it has suffered an extraordinary demoralisation, caused by economic decline, political tensions and the sense, shared by all the oil states, of having suddenly become much less important in the world. The island's problems are causing anguish among Bahrainis and expatriates alike, but in the foreseeable future there is little chance of anything being done to resolve them.

European Community enlargement

An urgent need for a coherent strategy

By James Elles

BEHIND the European Community's commitment to create a single internal market by 1992, a time-bomb is ticking away which threatens the EC aim of building a strong European pillar in the 21st century.

It concerns the relationship between the EC countries and other European nations which are not EC members. There has been no serious public debate so far about how much further the European Community should enlarge. EC club membership has doubled to 12 member states in the space of a generation, enlarging on three occasions over the past 30 years. But now, nine different languages and a complicated matrix of national judicial systems make EC laws hard to negotiate and even harder to apply.

As a result, alarm bells are beginning to ring. The question being asked increasingly is: how is it possible to cope with further EC enlargement and still achieve the completion of the internal market?

Most observers recognise that an integrated EC market will not be achieved without some fiscal approximation, a merger policy framework, a common approach to monetary policy and greater European democracy. But how will European laws be policed if *the EC is eventually enlarged to* all 21 members of the Council of Europe?

At present, the European Commission has indicated that the achievement of the internal market is top of the agenda. The priority "must be given to European integration, respect for the decision-making autonomy and a balance between the ideals and obligations arising from co-operation." Although member countries have accepted this position for the time being, such is their concern about the issue of enlargement that it will not remain on the sidelines for long.

In theory, accession remains open under Article 237 of the Rome Treaty for all democratic European states. Until last year, any agreement reached between EC member states and an applicant country had to be ratified in accordance with the respective constitutional requirements of all EC member states. The only condition imposed was that the applicant state must have a pluralist and representative democratic regime obliged to respect human rights.

In practice, however, the situation has now altered. Under the Single European Act, the European Parliament must give its assent by a majority vote of all its members. In addition, the EC has recently gained the responsibility for political and economic aspects of security.

Given the pressures to develop a common European security policy, which could include the elaboration of an EC arms procurement policy over the next decade, how will these developments be compatible with the accession of states with neutral constitutions like Malta, Austria, Switzerland *and Sweden* to *the EC? The heart* of the problem is whether the EC is to place its own interest in progress towards a nnified Europe first, or whether it will simply end up, through gradual attrition, as a trade association.

Now is the time for a broad debate to open on the external consequences of the 1992 programme

If we cannot, at this stage, determine the final resting place of European integration, we can, at least, avoid having our hands tied in the future by taking ill-thought out decisions today.

There is an increasing danger that, because of the absence of a clear strategy for dealing with non-EC European countries, inclnding those in Eastern Europe, any coherence could be dilnted through the admittance of non-EC countries to community programmes on a generalised basis.

I suggest that a coherent EC European strategy urgently be formulated which could contain the following elements:

- We must first have a clear statement from the Council of Ministers, in agreement with the European Parliament, that no further requests for EC accession will be referred to the European Commission for examination by the Council of Ministers until 1 January 1993
- Second, the European Commission must define which countries and under what conditions can bave access to EC programmes and to its political co-operation mechanisms. This should define how far any individual country can have closer association status without applying for membership.
- Third, as a matter of principle, further enlargement should only take place wben an applicant country is ready to accept the *existing* and *potential* obligations of membership. This would, for example, include the need for countries seeking to join agreeing *not* to oppose tbe development of an EC security policy.

In the medium term, therefore, without prejudice to the question of eventual membership, the EC should clarify its position in relation to non-EC European countries. There are already grave doubts that the EC institutions are strong enough to fulfil the objectives of the 1992 programme. Should the EC be enlarged to include one or two more members, it is difficult to see how the remaining members of the Coun*cil of Europe could be refused* admittance.

Now is the time for a broad debate to open on the external consegnences of the 1992 programme. To pnt it bluntly: the boat is heavily laden. Any further unnecessary load will cause it to sink. The European Parliament, now having, for the first time, the power to refuse additional members, must contribnte its own views to this important discussion.

In the last analysis, let us remember that the US took at least 175 years to enlarge from the original 11 states in 1787 to the 50 states which make np the federation today. As tbe European Community is still developing common policies in a number of new areas, enormous care must be taken not to close the options by an unseemly rush to accept applications for accession with open arms.

The author is Member of the European Parliament for Oxford and Buckinghamshire

Letters to the Editor

Understanding is only partial

From Mr Roger Martin-Fagg.

Sir, Mr Frank Blackaby (Letters, July 2) states that City economists are now unanimous that the UK economy is overheating. If this were true then it must be a record to have leading economists in agreement.

But it is surely not true. The debate continues: some point out the rate of increase in money earnings as a key indicator and potential source of inflation; others prefer to look at unit labour costs, and see no real cause for concern because — so far — productivity growth continues.

Despite the range of statistics available, economists do not know the level of UK prodnctive potential, nor the rate at which it may or may not be growing. Hence, they find it difficult to assess whether total final expenditure is excessive.

The growth in bank credit may or may not be a key influence on the rate of inflation; again, it rather depends on the behaviour of velocity and expectations. Many economists would probably support Mr Blackaby's view that the rate of interest alone is insufficient to achieve a low and stable rate of inflation with fuller employment.

But the alternatives, such as exchange rate adjustment, fiscal policy and some form of credit control, do not guarantee success either, because economists have only a partial understanding of how the UK economy operates.

Roger Martin-Fagg,
Hartmer,
Ibstone, Buckinghamshire

Can a duck swim?

From Dr V.P. Hill.

Sir, The Chancellor is urged to address the consumer-driven trade gap by interest rate rises. But the credit analysts tell us that, unlike borrowing undertaken by industry, consumer credit volume is not particularly rate-sensitive — at least not to the odd one or two per cent.

Is not the overall price of the article far more important to the consumer? Do we still buy a German-made dishwasher if the credit terms go up by one per cent but the exchange rate brings the sterling price down by five per cent — both movements because base rate has increased? Could the import boom of last May have had anything to do with the high £? Can a duck swim?

V.P. Hill,
5 Upper Park Road, NW3

'Scum tends to rise to the surface'

From Mr Tudor Gates.

Sir, If John Gapper, your labour correspondent, had gained his information from an authoritative source rather than a few disloyal and petulant dissenters, he would not have painted so ludicrous a picture (June 30) of the Association of Cinematograph, Television and allied Technicians (ACTT).

Our members well understand the fight we have ahead of us, and that is a contest between heavyweights. The kind of toyshop union quoted would receive short shrift from employers and be treated with derision by the labour movement.

Every organisation has its freaks and malcontents. Take my word for it, the consultative meetings we are holding at present show our membership to be calm, loyal, determined and confident that we will win through in the end. Ours is not a diminishing union but an ever-increasing one, both in numbers and income, and we shall continue to grow and make whatever alliances are necessary to resist the threat of the multi-national giants who seek our dissolution as an effective labour force as part of their plans to extend their media ownership.

Because of these companies' influence on government, our industry is indeed momentarily in turmoil. In a process both liquid and agitated, scum tends to rise to the surface. That is the only fact your article truly represents.

Tudor Gates,
President, ACTT,
111 Wardour Street, W1.

Rehabilitation permission delayed

From Mr Patrick Streeter.

Sir, Nicholas Ridley wants to take powers to force local authorities to let empty properties. Does he realise that most long term voids are caused by inaction within his own department?

The Hadrian estate in this borough contains 83 empty dwellings. Plans are ready to rehabilitate it, in partnership with a housing association. Wa have four other blocks in a similar situation, and on the Hadrian we have been waiting — since February 27 of this year — for permission from the Department of the Environment (DOE) to go ahead.

Patrick Streeter,
London Borough of Tower Hamlets,
Town Hall,
Patriot Square, E2

Safety principles must be adopted

From Mr Pekka O. Aro.

Sir, Union Carbide is reported to be reviving its theory that the Bhopal disaster happenad because of sabotage by a disgruntled employee (FT, July 1).

In April 1985 I led an international mission of trade union safety experts to Bhopal. Our conclusions were based mainly on the evidence of those most directly concerned: the workers who were on duty at the Union Carbide plant on the night of the accident. The mission's report, published in July 1985, states:

"After much public criticism, Union Carbide has backed away from its March 20 suggestion that water was 'deliberately' introduced into (storage) tank 610. There was never any evidence for such an act, a fact the company now admits."

The report went on to give a technical explanation of the most likely causes of the accident, and demonstrated that the main contributory factors were Union Carbide's cost-cutting, staff-cutting and neglect of safety precautions. A local trade union had publicly warned of these shortcomings, several years before the disaster.

We also found that, even after the accident, Union Carbide failed to provide immediately all the information needed for the treatment of the victims. Shortly after its pnblication, we were able to discuss the report with senior Union Carbide managers. They never challenged any part of it.

Safety precautions in the chemical industry are often inadequate, in developing and developed countries alike. After our examination of accidents in India, Switzerland, Mexico, Italy and the UK, the trades unions have adopted detailed principles for the prevention of chemical disasters. We call for their urgent adoption by governments and industry.

Pekka O. Aro,
International Federation of Chemical, Energy and General Workers' Unions,
Avenue Emile de Beco 109,
1050 Brussels,
Belgium

War between the facts

From Mr Neil Dougan.

Geoffrey Moore, your reviewer (Weekend FT, June 25) refers to Grant's victory at Gettysburg in July 1863.

For the record, the Union army was commanded by General George G. Meade at Gettysburg; Ganeral Grant was soma 1500 miles away, at the Vicksburg campaign in the state of Mississippi. I am surprised that such a significant error should be overlooked by the FT in its major book review of the week.

Neil Dougan,
4 Lythgow Way,
Lanark,
Scotland

Academic salaries too low to attract accountants into MBA teaching

From Professor C.R. Tomkins.

Sir, You reported (June 20) that the University Grants Committee (UGC) has recently identified that universities have an important problem in attracting enough accountants into academic teaching and research when pay rates in universities are so low in comparison with those earned by accountants in industry or the profession.

Of course one must take into account the special attractions of academic life for some people, but the current differential is too great to make "academic accounting" a viable career choice for very many younger members of the accounting profession.

The situation is even worse where more mature accountants are needed to teach on postgraduate courses such as the MA in business administration (MBA), the newer-style "executive MBA," or to conduct post-experience activities through supervision of in-firm or in-company research.

If the UGC, the Institute of Chartered Accountants and accounting firms combine to consider the topping up of academic pay, they should not overlook the need to provide this sort of post-graduate education, where the pay-offs to the profession may be more immediate through establishing contacts with more senior managers and potential client companies.

For such programmes one does not need just intellectually able and well educated academics. One needs, in the tutors, such an intellectual basis *combined* with experience. The provision of such people for post-experience teaching is becoming a remarkably difficult problem to solve.

C.R. Tomkins,
University of Bath,
Claverton Down,
Bath, Avon

FINANCIAL TIMES
Wednesday July 6 1988

Quentin Peel assesses the resolutions passed by the Soviet Communist Party conference

Gorbachev pays dear for reforms

MR MIKHAIL GORBACHEV, the Soviet leader, has won endorsement for the broad sweep of his entire political and economic reform programme from the extraordinary Communist Party conference. Yet he appears to have had to make some potentially critical compromises with the party power structure in order to do so.

Turning the resounding rhetoric of perestroika into specific action could yet depend on a critical plenary meeting of the party's central committee, to be held at the end of the month.

In spite of the holes the resolutions of the party conference give a graphic illustration of the extraordinary breadth of the reform programme Mr Gorbachev is attempting to embark on: questioning fundamental tenets of the economic system, revamping the whole political structure of both party and government, inserting a legal right to information in the constitution and revising vast chunks of Soviet legislation.

Mr Gorbachev has got his way with the central elements of his reform plans: the intention to separate the powers of party and state, revive the authority of elected bodies and overhaul the legal system. But he has failed to bind the party to specific decisions on dismantling its own bureaucracy and committing it to genuine multi-candidate elections for party office. Nor has he set down any clear commitment to a less rigid and centralised planning process, which economic reformers have been seeking.

The resolutions were published in full only yesterday, almost four days after the end of the conference, in another manifestation of the limitations on the Gorbachev policy of glasnost, or open information. Information emerges, but often belatedly.

Yet it is the very area of glasnost where the resolutions are probably most forthright, in contrast to a lot of criticism of the Soviet press voiced by delegates to last week's conference.

"Every citizen has the inalienable right to obtain exhaustive and authentic information on any question of public life," they say, although adding a substantial proviso, "that is not a state or military secret."

"The right of citizens of the USSR to information should be enshrined in the constitution," the conference concluded, calling for "legal guarantees of glasnost."

Proposals for legal reform are also breathtaking in their ambitions, in the light of current practice. They call for "essential changes" in legislation on socialist property, planning, financial, tax and economic relations, labour, housing, pensions and the entire criminal code.

They place top priority on "legal protection for the individual," as well as the "unconditional independence of judges," and a basic principle that "everything is allowed that is not banned by law."

The six resolutions, drafted by separate committees during the conference, which saw unprecedented public analysis and criticism of the shortcomings of the Soviet state and its ruling party, are binding on the Communist Party. But they have to be put into legal effect – by the Supreme Soviet where constitutional and legal changes are concerned, and by a party congress where the party charter is concerned.

Commanding attention both inside and outside the Communist Party's extraordinary conference, Soviet leader Mikhail Gorbachev makes a point to Prime Minister Nikolai Ryzakov (above) and to reporters via closed-circuit television in the separate Press room.

Moreover, a plenary meeting of the party's central committee has been called for the end of the month, in order to fill in the gaps the conference failed to agree. Some observers see this as a defeat for Mr Gorbachev, because the central committee remains a largely cautious and conservative body, disinclined to rock the party apparat to which many if not most belong.

The most crucial of the gaps appears to be the lack of any commitment to dismantle specific parts of the all-pervasive party bureaucracy, which effectively duplicates the machinery of government.

Another is the failure of the conference resolutions to spell out the responsibilities of the proposed President of the Supreme Soviet, the job clearly earmarked for Mr Gorbachev, and which he suggested would have substantial executive powers.

A third is the much less stringent election rules for internal party democracy, as opposed to a firm commitment to multi-candidate elections for the soviets

There is no commitment in the resolutions to a review of the membership credentials of all 20m party members

Nor is the proposal that all party first secretaries face a second hurdle of democratic selection – by standing for the chairmanship of their local soviet – made other than optional. "The role of the representative bodies would be enhanced if the first secretaries of respective party committees were usually recommended for service in these posts," the conference concluded feebly.

That almost certainly means that the general secretary himself can choose whether to put himself forward as President of the Supreme Soviet.

The problem with those gaps is that they concern the role of the ruling party – and given its unique status and unchallenged position, all other reforms could prove irrelevant to the wider aim of democratisation, if the party itself is not changed.

Yet there is much more that is positively revolutionary in the conclusions.

They attack the party personnel policy – the infamous *nomenklatura* system by which party men (women are in a tiny minority) are nominated, not elected, to positions throughout the state structure.

"The *nomenklatura* approach has outlived its usefulness," the resolution on political reform declares. "The party's personnel policy is in need of serious renewal. . . The final decision in personnel-related questions should be determined by the results of elections."

There should be maximum openness in party work: minutes of meetings should be published, as well as drafts of major resolutions to be discussed.

They certainly criticise the all-powerful apparat: "It is inadmissible for the party apparatus to usurp the functions of the elective bodies and for the role of communists to be reduced to attendance at party meetings and rubber-stamping lists of candidates and draft resolutions."

The resolutions go a long way towards the demands of nationalistic republics, like the Baltic states, for more devolution of economic and political power. They take up the idea of a republican *khozrashot*, or self-financing, saying it is essential that citizens know just what their own area is contributing to the national economy and get the chance to keep a good part of any bonus.

"The socialist ideal is not a deadly unification, but a full-blooded and dynamic unity set in national diversity," the resolution on ethnic relations says. Ethnic groups outside their homeland or those with no homeland should be "granted more opportunities to gratify their national cultural wants."

As for economic reform, the resolutions are decidedly short on new ideas. There is much general condemnation of bureaucracy, and exhortation to introduce the reforms already on the table with more enthusiasm.

A radical change, it admits, is yet to occur. But it sets out the guiding principles for the next five year plan – 0intensification of production, resource saving, acceleration of scientific and technological progress and modernisation of machine building – as if the entire process of rigid central planning had not been under attack.

Armenian leader sees solution to regional dispute, Page 2

Strong protection of investors in UK 'will continue'

By Clive Wolman in London

MR DAVID WALKER, in his first public pronouncement since taking over five weeks ago as chairman of the Securities and Investments Board, the chief investor protection agency, yesterday dashed hopes in the City of London for a radical relaxation of the new regulatory regime.

But Mr Walker also hinted at his willingness to consider several more limited reforms, at a Financial Times conference on the Financial Services Act.

Before the new provisions came into force, Mr Walker said, "the most basic protections for investors were sometimes altogether absent."

Even professional investors and intermediaries had benefited from the improvement in the transparency of transactions which resulted from the tougher disclosure requirements, he said.

Mr Walker specifically ruled out some proposals for reform that most of the clearing and merchant banks have been pressing on the SIB.

In particular, he ended hopes for a repeal of the polarisation principle, by which banks and building societies, in particular, are forced either to offer their customers independent advice without selling their own investment products or to concentrate on selling only those products.

"I have long felt thet the polarisation principle is justified," he said. Polarisation was needed to ensure that the customer understood the status of the practitioner with whom he was dealing.

Mr Walker also rejected complaints that the client agreement letters that stockbroking and other firms are now having to send to their clients are too complex and lengthy.

Mr Walker said that the SIB requirements could be incorporated in a document of only three or four pages. But one well-respected firm, which he thought was typical, had sent its clients a 29-page letter. More than half the letter, he said, was designed to protect the interests of the firm by including disclaimers and exemption clauses rather than those of the client.

However the SIB had always planned to review the effect of its rules once they came into operation in April, Mr Walker said. He suggested several possible areas for reform:

● The compensation scheme for investors in firms that become insolvent will be introduced on August 27 on the lines of the original SIB consultative document with a "significant further limitation of cross-subsidy".

This refers to the extent of the liability of members of one self-regulating organisation (SRO) to make up the losses suffered by a member of another. Mr Walker said that after the first 18 months, the claims and levy experience of the scheme would be examined, with a view to reducing the scope for cross-subsidy and possibly introducing an element of insurance.

● Some of the SIB rules could be redrafted in a more general form or some of the specific rules could include a limited exemption for firms making their best endeavours. Simpler rules could be backed up by guidance notes and separate rulebooks might be developed for different categories of client.

"There is undoubtedly scope for simplification of rules to reduce detailed prescription of when and how things should be done instead of rules that merely prescribe that they may be done," he said.

● The SIB is to look at ways to ensure that insurance brokers and other independent financial advisers do not suffer a disadvantage by having to disclose how much commission they are earning when insurance company and unit trust salesmen do not have to do so.

Mr Walker suggested that any such bias could be redressed by "sensible, practical methods of disclosure" of insurance company expenses or charges, which were examined in a recent report for the SIB by the accountancy firm, Peat Marwick McLintock.

But Mr Walker also questioned how far it was appropriate for the SIB to seek "to promote a 'level playing field' for different methods" of selling financial products.

Another speaker at the conference, Mr Charles Goodhart, professor of banking and finance at the London School of Economics, adopted a more critical stance towards the new regime which he said was "something of a mess".

He said that the publicly avowed attempt of the previous SIB chairman, Sir Kenneth Berrill, to enforce the best codes of conduct and exemplary behaviour of financial institutions was doomed to failure, and at a very high compliance cost.

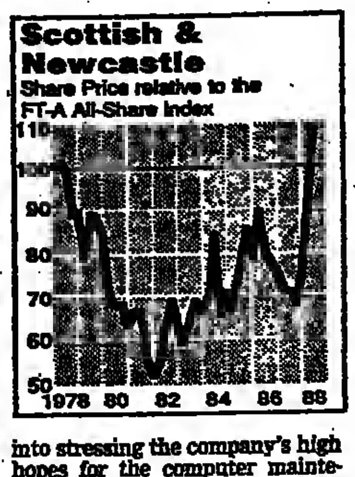
Conference report, Page 5; editorial comment, Page 16

THE LEX COLUMN

S & N plays to deaf ears

From an Edinburgh vantage point, yesterday's market reaction to Scottish & Newcastle's figures might well justify a jaundiced view of the City. The Elders stake has pushed the shares to a level – 15 times forecast earnings, half again as high as Bass – at which the market no longer cares about real-life performance. The only interest in the figures was tactical – whether S & N would bring growth forward now, or hold it in reserve for a defence document. With admirable pragmatism, the company seems to have done neither; the pre-tax figure is pitched in the middle of forecasts at £113m, and earnings per share are up by a conservative 11 per cent for the year, after 6 per cent dilution in the second half from the Matthew Brown acquisition.

This may imply confidence thet the company can survive on its record. Since it seems likely that the 9 per cent Elders stake will be put to hostile use by someone, that may in turn depend on the delicate question of UK versus European merger policy. S & N may well feel that, having itself been twice referred over acquisitions involving 1 per cent of the UK beer market, it would be hard done by if Elders were allowed to double its share to 18 per cent or so. But then, the other big brewers look to a new European dispensation for permission to snap up the smaller fry, and the industry cannot have it both ways.



Granada

In a market showing any appetite for risk – however temporary or seasonal – solid old defensive Granada will look too dull a bet. So it was scarcely surprising to find the shares at a disadvantage yesterday in a market which is enjoying something of a summer rally.

Although there was little enough in the company's interim results to hang a negative judgement on, the City marked the shares down by 2 per cent or so straight away, and left them 4p down at 316p at the end of the day. That put Granada on more or less of a market rating for the current year, and for next year as well; and although six months ago the company's defensive qualities might have seemed to merit a bit more than the average, the current market seems to be assigning little extra value to predictability.

Granada's slightly subdued presentation of the results did not help. Much effort was put into stressing the company's high hopes for the computer maintenance business, where Granada has become European market leader in the independent sector with its recent acquisition of DPCE. But the fact remains that this division represented under 6 per cent of profits for the half year, and even if the business services division's share as much as doubles next year, the rental and retail division will continue to dominate the business.

It was this division which provided yesterday's only legitimate cause for concern, with the £20m rationalisation benefits of last year's Electronic Rentals acquisition proving slightly slow to come through. And once Electronic Rentals is fully integrated with the existing rental businesses, it is not clear what will set Granada apart from the crowd.

Johnson Matthey

Yesterday's 30 per cent rise in Johnson Matthey's share price was something of an act of faith on the market's part, given Charter Consolidated's insistence that it is not about to sell. Indeed, Charter without its Johnson Matthey stake would be reduced to little more than a lump of cash, plus the deeply unglamorous Anderson Strathclyde and Cape Industries. Stripping out the cash and the JM stake, yesterday's closing price for Charter values its operating subsidiaries at a mere £70m, or perhaps four times historic earnings.

Then again, much may depend on the attitude of the Anglo American/De Beers mining nexus, which not only holds 36 per cent of Charter through Minorco, but also has an exclusive contract with Johnson Matthey to refine around a third of the world's platinum production. The fact that Minorco also has 30 per cent of Engelhard – JM's mirror image in the US – suggests a deliberate industrial policy which may be hard to disentangle.

All the market has to put against this is its belief that Cookson is not the kind of company to waste time in financial juggling. Its objectives are still deliberately mysterious, and it apparently had no contacts with any of the interested parties, Minorco included, before declaring its stake. But it has a formidable reputation in industrial management, and even after yesterday's upheavals has a market value almost equal to JM's and Charter's put together. Its next move could have far-reaching consequences.

TVS

When a young, local UK television station makes a bid for an established US production company twice its size, naked ambition might seem to have got the better of it. Shareholders in TVS have had plenty of time to nurse such fears in the week that has elapsed between the news of TVS's planned purchase of MTM and the company's first attempt to explain itself this morning. In a market thoroughly disenchanted with TV shares, now would seem a poor time to go about raising large sums of money; and as MTM has effectively been for sale since its aborted flotation last October, there may be a suspicion that ignorant foreigners are buying what the nationals had spurned.

However, the latest seepage of news – that Canal Plus, the startlingly successful French pay channel, is going to help finance the acquisition – makes the whole thing start to look appealing. Not only does the financing seem more manageable, but the prospect of a genuine international link-up between the UK, Europe and the US could make the deal longer on logic than nerve, after all. For the French company, MTM should provide cheaper access to programmes, while for TVS it will mean a home for its cash flow, and fill a badly needed hole in its catalogue of programmes.

However strong the arguments, though, this is not likely to be the first of many such international arrangements. The older TV companies seem more inclined to wait to see what the Government decides about their franchises, and with much larger libraries of their own, they can better afford to do so.

Health insurers set to exclude AIDS sufferers

BY ERIC SHORT IN LONDON

CARRIERS of the AIDS virus will no longer be able to claim insurance benefits in the UK on new permanent health insurance (PHI) contracts, which cover long-term sickness and disability, under plans by insurance companies.

Life companies are poised not only to exclude payments to policyholders disabled by full-blown AIDS (Acquired Immune Deficiency Syndrome), but to bar payments to those suffering any illness arising from being HIV positive, the initial stage in the progression to AIDS.

It is understood thet the companies are also considering whether to make void any PHI contract at the time the policyholder becomes HIV positive.

NEL Permanent Health, a member of Britannia Arrow group and a leader among the companies offering permanent health insurance, is aiming to implement these changes, which will particularly hit employers, at the latest by the beginning of September.

Under PHI, the individual receives income payments because he or she is unable to perform their normal occupation due to illness or accident.

Payments usually start after a stated period following the onset of the disability and continue until the patient resumes work, reaches retirement or dies.

Life companies have increased substantially life protection premiums to cover the increased risks of death from AIDS, although they have rejected an AIDS exclusion clause.

They are now considering a diametrically opposite course on sickness contracts. This is because the extra cost of premiums to cover the HIV risk would be prohibitive for younger men.

Bush draws applause

Continued from Page 1

rather than the cash-strapped Bush campaign – makes the same point about personal heroism.

Voters such as Mr Mark Provenzano, a gap-toothed hunk of a young Italian-American from Elmwood Park, a white suburb some 15 miles west of Chicago, finds the strong language appealing and will back Mr Bush for President for three reasons – capital punishment, gun control and racial quotas. Mr Bush backs the death penalty and is against the other two.

Yet it is obvious that these white ethnic middle class voters do not connect to George Bush in the way they did to Ronald Reagan. "Bush would make a great running-mate," said Mr Ted Osberg, who owns his own air-conditioning company in Elmwood Park. Mr Osberg perhaps ought to be a Republican voter in November, but will in fact back Governor Michael Dukakis of Massachusetts. "He looks competent," said Mr Osberg, "you can sense it."

Mr Bush inspired respectful applause among the white crowds of Wayne County, Michigan (scarcely a black face was sighted throughout the day). Partly this response stems from a matter of style; though superbly fit for a 64-year-old, Mr Bush still throws his arms about like a gangling teenager and appears ill at ease with children, handling them much like hot potatoes.

Wearing a bullet proof vest in nearly 100 degree heat cannot have helped. But the firm impression is that here is a decent man whose best moments come in private banter rather than public discourse.

In St Louis, Mr Bush and his wife Barbara went aboard a steamboat to watch an air display put on by the local aerospace manufacturer, McDonnell Douglas. After a B1 bomber had blasted across the sky, another aircraft loaded with missiles appeared, hovering like a giant blowfly over the river.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	29	84	Dubrovnik	S	33	91	Malta	S	33	91	Rhodes	S	32	90
Algiers	S	31	88	Edinburgh	C	15	59	Manchester	R	15	59	Rio de J'o	C	30	86
Amsterdam	C	15	59	Faro	S	21	70	Manila	F	32	90	Rome	F	33	91
Athens	F	39	102	Florence	S	32	90	Melbourne	C	12	54	Salzburg	S	33	91
Bahrain	F	37	99	Frankfurt	F	25	77	Mexico City	C	25	77	San Francisco	F	18	64
Bangkok	-	-	-	Funchal	C	21	70	Miami	C	31	88	Seoul	C	29	84
Barcelona	S	27	81	Geneva	F	19	66	Milan	F	27	81	Singapore	R	25	77
Beirut	F	29	84	Gibraltar	R	17	63	Montreal	C	29	84	Stockholm	F	26	79
Belfast	C	15	59	Glasgow	C	17	63	Moscow	F	27	81	Strasbourg	F	21	70
Belgrade	F	36	97	Guernsey	F	15	59	Munich	S	32	90	Sydney	R	17	63
Berlin	C	25	77	Helsinki	S	28	82	Nairobi	F	22	72	Taipei	F	36	97
Biarritz	S	21	70	H. Kong	F	32	90	Naples	S	38	100	Tangier	R	17	63
Bombay	-	-	-	Innsbruck	S	27	81	Nassau	C	33	91	Tel Aviv	S	30	86
Bordeaux	C	20	68	Inverness	C	15	59	New Delhi	C	37	99	Tenerife	F	26	79
Brussels	C	15	59	Islamabad	C	32	90	New York	C	31	88	Tokyo	C	23	73
Bucharest	S	33	91	Istanbul	F	33	91	Nice	S	26	79	Toronto	F	28	82
B. Aires	R	11	52	Jakarta	C	32	90	Nicosia	S	41	106	Tunis	S	36	97
Cairo	F	39	102	Jersey	S	17	63	Oporto	C	18	64	Valencia	S	28	82
Cape Town	C	14	57	Jo'burg	F	16	61	Oslo	C	23	73	Venice	F	27	81
Caracas	C	26	79	Lima	C	18	64	Paris	C	16	61	Vienna	S	30	86
Casablanca	C	19	66	Lisbon	R	21	70	Peking	C	23	73	Warsaw	S	27	81
Chicago	F	32	90	London	C	22	72	Prague	S	29	84	Washington	-	-	-
Cologne	C	23	73	Los Angeles	F	26	79	Reykjavik	F	12	54	Zurich	F	23	73
Copenhagen	F	23	73	Luxembourg	R	16	61								
Corfu	S	35	95	Madrid	C	20	68								
Dallas	-	-	-	Majorca	S	28	82								
Dublin	R	17	63	Malaga	R	22	72								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Meese

Continued from Page 1

while secret, is believed to be highly critical of Mr Meese's judgment and sensistivity to conflict of interest.

Mr McKay's investigation centred on several alleged improprieties including his support for a scandal-racked New York City defence contractor, the Wedtech Corporation, while he was White House counsellor. Another case involved his role on behalf of a friend and lawyer Mr Robert Wallach who was promoting a $1 billion Iraqi pipeline project in 1985 and 1986.

Mr Meese's ownership of regional Bell Telephone stock valued at $14,000 also figured in the investigation, as well as his wife Ursula's $40,000 a year salary which she drew from a Washington real estate firm before the company was awarded a $50m lease on Justice Department offices.

Mr Wallach – who has subsequently been indicted in the Wedtech case – is a common thread in Mr McKay's report which has been submitted to a panel of judges in Washington. It will not be made public for several weeks until Mr Meese's attorneys have a chance to rebut the charges.

SECTION III

FINANCIAL TIMES

SURVEY

The industry is restructuring as the market continues to grow rapidly. Japanese makers are joining more collaborative ventures in Europe to build on their existing presence, as **Kevin Done**, Motor Industry Correspondent, reports:

Era of joint ventures

THE LIGHT commercial vehicle market in Western Europe has grown rapidly during the 1980s and many producers enjoyed a record year in 1987.

The market has proved an attractive target for Japanese van makers and although the wave of direct imports that built up during the first half of the decade appears to have peaked, Japanese producers are now consolidating their presence by establishing a growing number of joint ventures.

Europe's light commercial vehicle market is also attracting growing attention from components suppliers around the world.

Van makers in Europe bought almost $4.83bn-worth of components from independent manufacturers in 1987 and this could rise to $5.2bn in 1992 (at constant 1986 prices) according to a recent report from Frost and Sullivan, the US consultants. "Whether they are taking the bicycle team to the velodrome, the Brighton car pool into London, or delivering the latest copy of Der Spiegel, vans are becoming ever more popular in Europe," it claims in a study, The European Original Equipment Van Components Sector.

The classification of light commercials varies from country to country in Europe, but the industry tends to be split into two sectors. Small vans cover vehicles up to about 2 tonnes in gross vehicle weight (GVW) including car-derived vans, microvans and light pick-ups, while medium vans cover the sector from 2 to 3.5-4.0 tonnes including panel vans, minibuses and light trucks.

Frost and Sullivan suggest that van production will grow by about 15 per cent from 1986 to 1992 with annual unit growth of 5-6 per cent in 1987 and 1988. Production could stabilise at about 1.25m units with a peak in 1990-91.

France is the biggest producer of light commercial vehicles in Europe, thanks to the large volume of car-derived vans produced by Renault and the Peugeot group which includes Citroen.

The importance of the light van sector in the French vehicle market stems from the structure of vehicle taxation with a much higher rate of Value Added Tax applied to passenger cars than to small vans.

The French VAT rate on cars was lowered to 28 per cent last year from 33.3 per cent, but it is still much lower than the 18.7 per cent levied on small vans.

The differential has encouraged some private motorists to purchase a van rather than a small car, and many small business operators use a van for private motoring at the weekend.

The new Ford Transit, Europe's best-selling medium van

Vans and Light Trucks

Tax distortions play a significant role in determining the size of the small van sector in several other European countries.

The medium van sector is dominated by Ford and Volkswagen, and last year Ford succeeded in ousting VW from its leadership of the European production league, thanks to the strong demand for its Transit panel van, which was launched in a new form at the beginning of 1986.

Volkswagen's Type 2 competitor has begun to suffer in the face of fierce competition and more modern products from both Europe and Japan, and it is unlikely to arrest the slide until the expected introduction of a new model range in the second half of 1989.

Despite record demand for light commercial vehicles across Europe last year, output of the VW Type 2 dropped by 6.5 per cent to 114,365 units, according to statistics published by Automotive Industry Data, the automotive newsletter. By contrast, Ford increased production of the Transit by 22.9 per cent to 130,265 units, claiming a 21.5 per cent market share compared with the 18.9 per cent of the VW Type 2.

Output of the Type 2 fell by some 26 per cent from 1978 to 1987. In 1980 it was the most successful medium van worldwide, ahead even of the Toyota Hi-Ace, but since then it has had to face several new rivals in Europe including Renault's Trafic, the Ducato/J5/C25 of the Fiat/Peugeot joint venture and most recently the new Ford Transit.

Overall West European production in the medium van sector (light commercials in the 2-3.5 tonnes category) rose by 8.6 per cent to 605,885 units from 557,945 units in 1986, according to AID.

Ford and VW are facing increasingly stiff competition from the medium vans produced by the Sevel joint venture put together by Fiat of Italy and Peugeot of France, which has proved one of the most successful automotive collaborative ventures in West Europe.

Production at the Sevel plant in Italy, which began in late 1981, reached a new peak last year of 103,960 units, an increase of 15.2 per cent and enough to put the joint venture in third place with a 17.2 per cent share of European production. Vans from the Sevel plant are marketed in different guises including the Fiat Ducato, the Citroen C25, the Peugeot J5 and the Talbot Express.

Faced by the need to produce a modern competitive purpose-built van to strengthen their presence in the European light commercial vehicle market, Fiat and Peugeot chose to pool their resources in a joint venture so as to be able to produce at a high enough volume to gain the full benefits of the economies of scale.

It is an option which is looking increasingly attractive to other van makers facing major investment decisions for the development of new vehicles. Such moves are most critical in the medium van sector, as the future of car-derived vans depends to a great extent on the development of the corresponding car models.

"The design of a new range of purpose-built vans requires a large amount of investment in tooling and components, and, in the highly-competitive market place, manufacturers cannot expect to receive the continuing benefits of the long production runs they have obtained in the past," a recent report by the Economist Intelligence Unit (EIU) on the light commercial vehicle sector in West Europe points out.

In the UK, Freight Rover, the Birmingham-based van making operation which was acquired by Daf of the Netherlands last year, is still searching for a partner with which to develop a new van to replace its ageing Sherpa range.

In France, Renault has indicated that it has held discussions with other manufacturers on possible joint ventures, as it reviews the options for the eventual replacement of its Trafic range.

To the alarm of some European participants in the industry, West Germany's Daimler-Benz has *announced that it has reached a* basic agreement with Mitsubishi of Japan for the joint development of light commercial vehicles in the medium van sector in the gross vehicle weight range of 2.2 to 4.6 tonnes.

The exact extent of this planned collaboration is still unclear, but it does point up the growing involvement of the Japanese producers in the European light commercial vehicle sector.

According to the EIU report: "More West European producers are beginning to adopt the maxim 'if you can't beat them, join them' and the second half of the 1980s is emerging as an era of joint ventures and agreements between the West Europeans and the Japanese."

Japanese imports rose rapidly during the first half of the 1980s particularly in the smaller European markets, which did not impose any of the controls or so-called "voluntary" quota restrictions that have served to limit Japanese penetration of the Italian, French, Spanish and to some extent the UK market.

The EIU report estimates that the Japanese importers could have captured as much as a quarter of the European market by the mid-1980s, if they had been allowed free access. In fact the "closed" and "restricted" markets helped to limit import penetration to an estimated 11.5 per cent of the small van sector in 1985 and an estimated 12.1 per cent of the medium van sector.

While total imports of Japanese light commercial vehicles may fall, the total share of Japanese designed vehicles in the European market is expected to rise significantly, however.

In addition to the Daimler-Benz/Mitsubishi collaboration, Nissan has built a base in Spain with Nissan Motor Iberica for exporting to the rest of Europe, Volkswagen has linked with Toyota for the production of Toyota-designed one tonne pick-ups in West Germany, while the IBC Vehicles venture in the UK (in the old Bedford plant in Luton) between General Motors and Isuzu is wholly dependent on design input from Isuzu and Suzuki.

Some European automotive groups are still lobbying hard for continued protection against Japanese imports provided by the existing patchwork of controls and restraints, but most appear to accept that these bilateral agreements with the Japanese industry will have to be phased out eventually.

The automotive industry will be affected in many other ways by the planned 1992 reforms, not least by possible changes in exhaust emission controls, in particular as they apply to diesel engines.

The proportion of the light commercial vehicle market commanded by diesel engines has increased rapidly during the 1980s.

However, a serious note of warning about the outlook for diesels in the 1990s has been sounded in the latest European Trucks Forecast Report published by DRI, the automotive analysts.

They claim that new proposals by some European countries, most notably Switzerland, Austria and the Scandinavian countries, on particulate emissions requirements for diesels, could be of such severity as "in practice to rule out diesel engine use in vans."

CONTENTS

Further joint ventures have significant market implications

Japanese deeper into Europe

JAPANESE vehicle makers have had a profound impact on the European light commercial vehicle market, which they began to penetrate seriously in the late 1970s.

The initial thrust was into the small van sector, where the Japanese concerns extended the range of the light van market with the introduction of new product types including small pick-ups and purpose-built microvans.

The traditionally conservativa European medium van market became the next target. European producers have reacted to the import challenge by modernising their product ranges, bot the Japanese vehicle makers have established a firm presence capturing about 12 per cent of the medium panel van market (2-3.5 tonnes gross vehicle weight - GVW), and more than ten per cent of the small van sector (up to 2 tonnes GVW).

The biggest Japanese success has been in the smaller European markets, where they have not been limited by import quotas. Japanese importers hold more than half the markets in Denmark, Ireland and Finland, and shares of more than 20 per cent in Holland, Sweden and Switzerland.

In some of the larger European markets such as Italy and France, the restraints imposed on *Japanese car imports have been* extended to light commercial vehicles, while in the UK the so-called "gentlemen's agreement" between Japanese and British vehicle makers on car imports also restricts the Japanese share of the UK van market to about 11 per cent.

The Japanese share of the European market has accelerated rapidly during the first half of the 1980s with sales of Japanese vans increasing from 45,000 units in 1980 to 135,000 in 1986.

The strategy for increasing Japanese penetration still further is now changing significantly, as merket opportnnities ere exhausted and the yen's strength makes direct imports less competitive.

The Japanese presence in the European light commercial vehicle market is expected to grow, but increasingly it will take a different form.

According to a study by the Economist Intelligence Unit of the West European light commercial vehicle market, "the second half of the 1980s is emerging as an era of joint ventures and agreements between the West Europeans and the Japanese. The development of this new phenomenon will have significant implications for the future structure of the West European commercial vehicle market."

The most recent example of such collaboration is the basic agreement reached by Mitsubishi Motors (MMC) of Japan and Daimler-Benz of West Germany, which could see the production of Mitsubishi vehicles at a Daimler-Benz plant in Spain and the subsequent joint development of future light commercial vehicles.

Under the agreement announced hy Mr Toyoo Tate, president of MMC, and Mr Edzard Reuter, chairman of the Daimler-Benz executive hoard, the two *companies are conducting* a *feasibility* study for the production of Mitsubishi's L300, a 2.2-2.5 tonnes GVW panel van, at a Daimler-Benz plant in either Vitoria or Barcelona, Spain.

The two compenies say the "considered aim is to secure a *foothold* as a production site in Europe." The feasibility study is examining key questions such as *production capacity and timing* of the venture.

Beyond the L300 venture Daimler-Benz and Mitsubishi have embarked on a more far-reaching project to study the joint development of light commercial vehicles. The two companies aim to collaborate on the development of light commercials in the 2.2 to 4.6 tonnes range of vans and light trucks.

The emerging pattern of alliances, which is hardly receiving a universal welcome, is helping West European producers to expand their product ranges, while at the same time it is allowing their Japanese partners to gain access to markets, where entry has previously been restricted.

According to the EIU study: "There is a growing trend for the leading West European light commercial vehicle producers to offer products to meet all market segments, and they consider joint ventures .if market volumes do not justify internal investment."

Volkswagen, Europe's higgest automotive producer, is entering the one tonne pick-up sector in this way in a joint venture with Toyota, the biggest Japanese vehicle maker. Under an agreement with Toyota, VW will produce Toyota Hi-Lux one tonne *capacity vehicles at its plant at* Hanover with the output to be marketed under the Volkswagen badge.

Production is due to begin in 1989 with an output of some 8,000 vehicles rising to 15,000 pick-ups from 1990, of which 5,000 will be for Toyota distribution in Europe, and 10,000 for VW'e own network.

DRI says that VW's technical co-operation agreement with Toyota shows how far ahared costs can rednce the volumes needed to break even on a "new"

The emerging pattern is helping West European producers to extend their product ranges

model. Total sales of one tonne pick-ups in Europe last year were some 45,000.

"A sensible share of that market, even if growing, would be much less likely to have given Volkswagen sufficient volume to be able to compete in the segment with a modification to an existing car model," DRI says.

For Toyota the joint venture has the advantage that it provides additional volume at a time when the the growth in total Japanese vehicle exports to the European Community is limited by the Japanese authorities. As a result of the production deal with VW Toyota can redistribnte its imported model mix to favour higher-value cars.

Nissan, Japan'a second-largest automotive group, has taken a different route establish itself as a commercial vehicles prodncer in Europe. In 1980 it purchased an initial stake in Motor Iberica in Spain from Massey Ferguson, and has since huilt this holding to a 71 per cent share of the equity.

It has introduced Nissan prodncts to tha venture, beginning with the light four-wheel drive Nissan Patrol all-terrain vehicle in 1983 and followed hy the Vanette van in 1985. The company has changed its name to Nissan Motor Iberica.

Two other Japanese vehicle producers, Isuzu and Suzuki, have gained access to European manufacturing facilities through their links with General Motors. Last autumn General Motors and Isuzu formed a joint venture in the UK, IBC Vehicles, to save GM's former Bedford panel vans plant at Luton from closure.

IBC is 60 per cent owned by *General Motors of the US and 40* per cent by Isuzu, in which GM also has a 40 per cent stake. The Luton plant now produces the Bedford Midi, a one tonne panel van based on an Isuzu design, and the Bedford Rascal microvan, based on a design by Suzuki, in which GM has a 5.3 per cent stake.

The Bedford van plant had faced a very uncertain future and was under the threat of closure with sales dwindling and losses mounting rapidly. As part of the rescue package and the formation of the joint venture, the labour force agreed to accept radical changes in working practices.

The fortunes of the plant have been transformed and earlier this year IBC was able to announce plans to use the plant as the springboard for an ambitious export drive into 14 continental European markets.

Production has been increased from 19,000 vehicles last year to 34,000 in 1988 through the introduction of a second shift, and IBC is planning to increase outpnt further to 40,000 next year, if the export drive is successful.

Exports of the Midi started in April with distribution through Convesco, Isuzu's commercial vehicle subsidiary in Europe, while the Rascal models are being sold initially through Suzuki dealers in France, Italy, Spain and Portugal.

The EIU report says that European producers have been willing to co-operate with Japanese competitors because they acquire existing technology from Japan much more cheaply than by internal investment.

It suggests that direct imports from Japan will fall from about 135,000 units in 1986 to some 100,000 units in 1991 reducing the market share from 11 per cent to 7.4 per cent.

However, the increased sale of Japanese-designed vehicles produced in Western Europe could account for a further 100,000 units by 1991, bringing European-huilt and directly-imported vehicles to as much as 15 per cent of the West European light commercial market by 1991.

Kevin Done

The US

Glamour market for Detroit

VANS AND light trucks are four of the most glamorous and exciting words in the US driving vocabulary. The light truck market has been the motor industry's salvation in an age when so much else has gone wrong for Detroit's Big Three.

In 1987 US sales of light trucks were 4.7m units, compared with 10.2m cars. This year, while car sales ere projected to decline slightly, perhaps to just below 10m, trucks are selling faster than ever.

The year's total is almost certain to set a new record, probably of about 5m units, which has been the annualised sales rate in the first five months of the year.

To put the phenomenal growth of the US truck market into perspective, it is worth recalling that at the beginning of the decade Americans were buying only 2m trucks annually. In other words, the market has expanded by 150 per cent in eight years.

By way of comparison, car sales have grown by only 10 per cent during the same period - from around 9m.

The light truck market'a inherent momentum has become even clearer this year, as the dust has settled after the stockmarket crash in October and tha tax reform which distorted sales figures in 1986 and 1987.

After growing by an average of 12 per cent annually since 1980, the light truck market in 1987 expanded hy only 1.3 per cent. This was a creditable performance, considering the 10.7 per cent decline in passenger car sales in 1987, but it still left some analysts wondering whether the bloom had finally come off the light truck boom.

Since January, however, the sceptics have been confounded as light trucks have sold 10.1 per cent faster than year-ago levels, while car sales have continued to stagnate.

Although nobody really anticipated the light truck phenomenon, its main explanation is now a cliche. American consumers did not really fall out of love with huge gas-guzzling road hogs, as everyone predicted at the height of the last oil crisis: they simply transfered their affection from huge cars to more functional but only slightly smaller vans and light trucks.

Indeed, 65 per cent of the vehicles officially classified as vans and light trucks in America are bought solely for personal rather than business, use. The reason is that all of the fastest-growing categories of vehicles in the US light truck market - compact vans, sports utility vehicles and small pick-ups - are cars in all but name, at least so far as the customer is concerned.

Thus the light passenger van market which was created virtually from scratch five years ago by Chrysler with its revelutionary Dodge Caravan and Plymouth Voyager front-wheel drive models, is now virtually indistinguishable from the market for traditional family station wagons.

The buyers of the larger sports utility vehicles (SUVs) such as the Jeep Cherokee and Ford Bronco are also in most cases seeking substitutes for large and medium-sized family cars. This is particularly true at the luxury end of the SUV market - at present dominated by Jeep - in which Britain's Range Rover is attempting to find a niche.

Meanwhile, many of the customers for smaller SUVs and light and medium pick-up trucks, are similar in demographic profile to the traditional huyers of small sports cars. They are young and use their vehicles for recreation. The image that attracts them is tough, masculine and outdoors.

In all, market researchers have estimated that at least 500,000 to 600,000 Americans are switching each year from cars to light trucks. While in any one year this movement out of the traditional car market may account for only about ten per cent of light truck sales, the cumulative effect is much bigger as existing light truck owners return to their dealers for newer models or trade up from small pick-ups to larger ones and from small to luxury SUVs or compact vans.

The close substitution between light trucks and cars in the American market obviously begs a question. Is it just pointless pedantry to treat the two markets as separate - especially when it would never occur to anybody in Britain, for instance, to consider a Range Rover as a truck, rather than a car?

Light trucks have sold 10 per cent faster than year-ago levels while cars continue to stagnate

The answer is no. The distinction is not merely academic for one all-important reason: the US domestic manufacturers have been infinitely more successful in competing against Japanese and other importers of light trucks than cars. To the extent that while the domestic manufacturers last year managed to hold on to only 69 per cent of the car market, their share of the light truck business was 80 per cent.

In the first five months of this year, the US performance was even more impressive. The domestic carmakers have held on to 86 per cent of the truck market, forcing the importers to beat an ignominious retreat.

Import sales between January and May were 19 per cent down on a year earlier, at 298,000, with Range Rover standing out as tha only foreign marque to sell more light trucks in 1986.

There is one good and one had reason for tha US makers' preeminence in this market. The bad reason is simply that the US truck business is protected by a tariff of 25 per cent. While the car market enjoys the protection of Japan's voluntary export quotas, the tariff on cars is only 4 per cent.

In the last two years the truck protection has become much more effective as Japanese manufacturers have found it impossible to cope with the high yen on top of a 25 per cent tariff and still match US prices.

The good reason for American success in this business has been the nature of the US products. The trucks made by US manufacturers never suffered from the image and quality problem of US passenger cars.

Even mora importantly, importers have been unable to come up with modals which match the features of the US vans, SUVs and pickups. Partly because of the absence of a significant world market for luxury passenger "trucks."

The Japanese did make big inroads initially into the compact pick-up and small SUV markets, bnt these markets have proved less lucrative and dynamic than the mini-van and luxury SUV businesses.

Over the next few years several new products will be announced to put US companies further into the lead in small truck manufacturing. GM should unveil a new front-wheel drive passenger van next year, while Ford is working on a van joint venture with Nissan for the early 1990s.

Meanwhile, Chrysler has just begun exporting its Voyagers and Caravans to Europe.

Among the European manufacturers only Renault, with its Espace model, has a product catering to the same consumer demands.

If, for once, European car buyers, decided to follow trends in America and not vice versa, that is an oversight that the European car industry might one day have cause to regret.

Anatole Kaletsky

US light duty truck sales & market shares

	86 sales (units)	Industry market share	87 sales (units)	Industry market share	1st 5 mths 1988 (units)	Industry market share
Ford	1,324,865	28.8%	1,398,969	30.0%	631,472	30.4%
Chevrolet	1,229,457	26.7%	1,173,675	25.1%	559,311	26.9%
Chrysler	709,125	15.4%	596,159	12.8%	338,875	16.3%
GMC	311,217	6.8%	306,580	6.6%	149,069	7.2%
Jeep	206,440	4.5%	207,514	4.4%	101,265	4.9%
Domestic total	3,782,104	82.2%	3,682,897	78.9%	1,780,012	85.6%
Imports	868,057	18.9%	940,262	20.1%	298,068	14.3%
Industry total	4,604,837	100.6%	4,668,483	100.0%	2,078,080	100.0%

Research: Rivka Nachoma

New competitors are offering even more vehicles in a booming market, says **Kevin Done**

UK home sales racing to a record level

UK PRODUCERS of light commercial vehicles are surfing on a sales boom, which is expected to push domestic sales to a record level this year, while at the same time new opportunities are opening in export markets in the rest of Europe.

Some 24 manufacturers offer more than 350 models of car-derived vans, micros, one-tonne pick-ups, panel vans and chassis cabs in the UK light commercial vehicle market (up to 3.5 tonnes gross vehicle weight) and new competitors are still arriving.

The latest newcomer is Seat, the Spanish subsidiary of Volkswagen of West Germany, which is entering the car-derived van sector with the introduction of its Terra high top box van based on the Marbella car.

Competition is becoming more fierce, but the UK-based producers are showing evidence of a newly-woo strength and confidence.

Freight Rover, the Birmingham-based van manufacturing subsidiary of DAF of the Netherlands and formerly part of Rover Group, is increasing production by more than 20 per cent during the second half of the year and is bumping up hard against its single-shift capacity.

IBC Vahicles, the General Motors/Isuzu joint venture formed last year to save GM's Bedford panel vans plant at Luton, has increased its workforce by nearly a half and is seeking to almost double production through the introduction of a secood shift with most of the increased output aimed at export markets in Western Europe.

Ford, the overwhelming UK market leader, achieved its highest-ever sales last year for its Fiesta, Escort and Transit vans.

The success of the new Transit, launched in January 1986, was sufficient to establish it as the best-selling medium commercial vehicle in Europe and knocked the ageing Volkswagen rival, the Type 2, off its perch at the top of the European production league (for light commercials from 2.01 to 3.5 tonnes gross vehicle weight - GVW).

The Transit van beat its own previous UK sales record - set in 1980 - by almost 8,000 units last year and captured 44.7 per cent of its home market. Production of the Transit range at Ford's Southampton plant jumped by 31 per cent to 70,385 vans and buses from 53,560 units in 1986.

In February the record-breaking run was threatened, as all Ford's UK plants were shut by a two-week strike, which also closed Ford's Transit assembly line at Genk in Belgium. The Belgian-built Transits are supplied with 2.5 litre direct injection diesel engines from Dagenham in the UK.

The rapid conclusion to the strike means that Ford's total output for the year is unlikely to be dramatically affected, however.

The popularity of the Transit in the UK gives Ford an enviable base from which to attack the rest of the European market. Last year it claimed no less than 64.1 per cent of the UK fleet market for medium commercial vehicles, an increase of 9.4 percentage points.

The medium commercial sector as a whole increased by 18.7 per cent last year, but Ford clearly outpaced the general surge in the market with a 37 per cent rise in sales volume.

Overall last year it was the booming demand for light commercial vehicles, which helped push total commercial vehicle registrations to a record 312,730 units, an increase of 7.4 per cent from 1986 and sufficient to beat the previous record of 300,565 units set in 1979.

The UK-based producers are showing evidence of a newly-won strength and confidence

Light commercials account for 75 per cent of all commercial vehicles sold in the UK, even though they tend to be overshadowed by the heavy truck sector.

The surge in sales last year, which produced a jump of 10.1 per cent in registrations in the 1.8-3.5 tonnes panel van-dominated sector to 133,920 units and of 4.6 per cent in the up to 1.8 tonnes car-derived and micro van sector to 103,783 units, has been sustained so far this year.

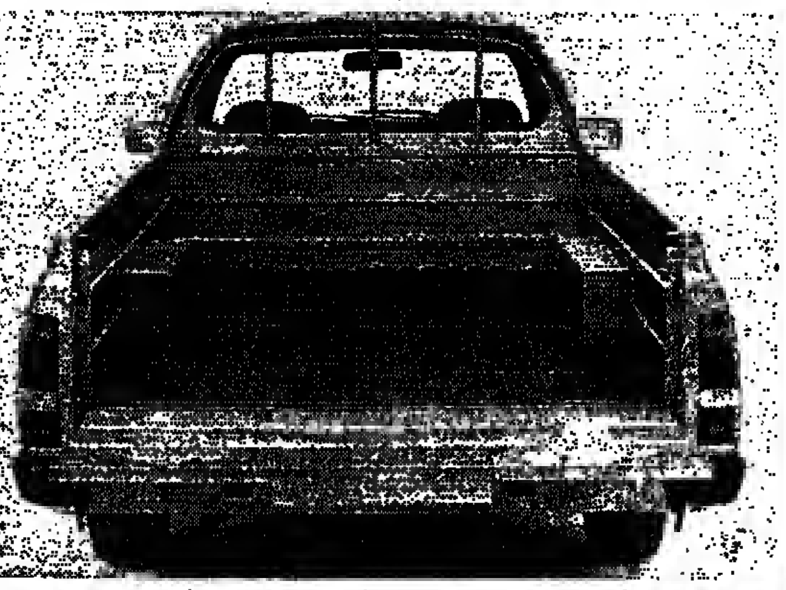
In the first five months UK registrations in the 1.8-3.5 tonnes sector rose by 9.6 per cent compared with the same period last year to 63,045 units with the main gains being mada by Ford, Nissan and Mercedes-Benz.

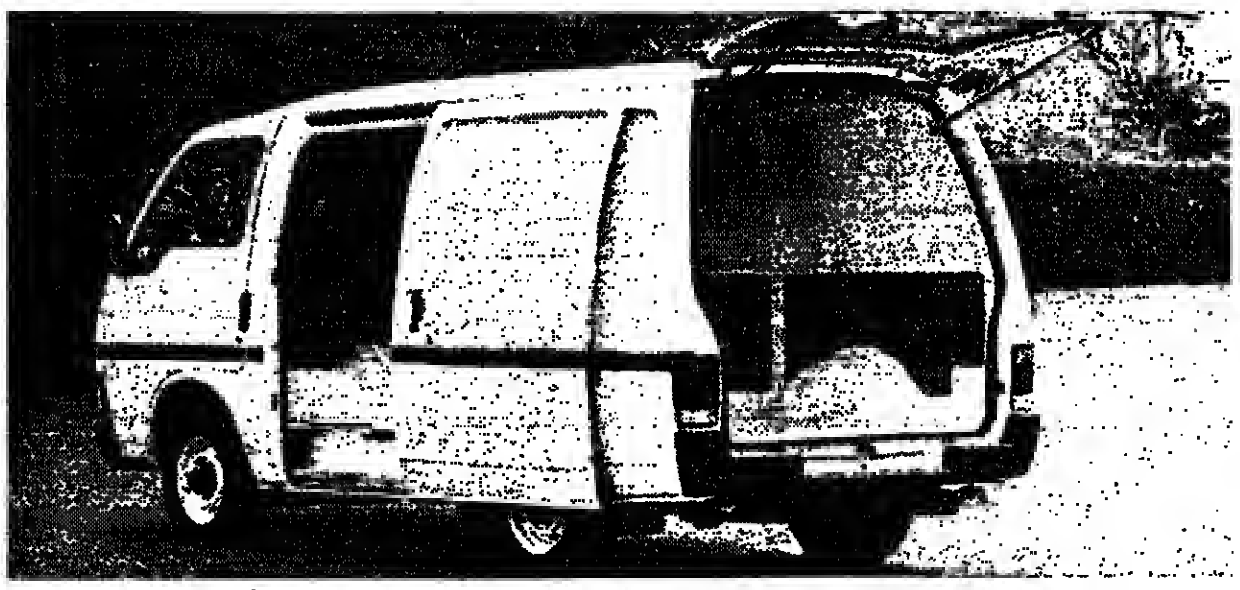
Sales in the smaller up to 1.8 tonnes category have risen by 4.4 per cent to 46,130 units, and here Ford has lost ground and has had to surrender market leadership, at least temporarily, to Bedford which has increased sales by 22 per cent in the five months to the end of May compared with the corresponding period last year.

Freight Rover, which was taken over early last year along with the Leyland truck operations by DAF, the Dutch truck maker (Rover Group maintains a 40 per cent stake in DAF), is benefitting greatly from the access to the continental European market offered by its new parent.

Foreign sales of its range of Sherpa vans and minibuses jumped to 3,240 units last year from 800 in 1986 as the company set out to exploit the established DAF distribution network.

Freight Rover captured 13.4 per cent of the UK panel van market last year in second place behind Ford, but it was chiefly foreign sales that boosted production to a record level of 20,050 vans, the highest level of output achieved since the company was formed into a separate business within the then British Leyland group in 1981.





Above: Ford's P100 pick-up, produced in Portugal from mainly UK-sourced components; and (right) the Bedford Midi van, now built by IBC Vehicles

The Freight Rover plant had been working at a maximum single-shift capacity of about 21,500 vehicles a year in the early part of 1988, but it is seeking to increase annual capacity to about 24,000 units through the removal of bottlenecks in the body and paint shops and a small increase in the workforce.

A five per cent productivity deal with the workforce combined with overtime has helped to increase output temporarily to 550 vehicles a week, but for the second half of the year production is expected to level off at about 500 units a week compared with a weekly output of 436 vehicles at the beginning of the year.

Sales in the UK in the first five months of 1988 have been flat, but Freight Rover supplies were constrained during the spring by the five-week strike at Land Rover, which provides an important part of its engines and transmissions.

Freight Rover is still pursuing negotiations with a number of different companies in the search for a partner to collaborate on the £100-125m development of a new van to replace its 17-year-old Sherpa range in the early 1990s.

Freight Rover has indicated that it could move to double-shift working with an increase in output to as many as 40,000 units a year with the introduction a new model.

To date it is still unclear, however, whether collaboratioo would mean joint design and development, the supply of major components such as engines and transmissions, or joint marketing and distribution.

DAF had appeared earlier to rule out collaboration with a Japanese group, but recent tie-ups between Volkswagen and Toyota and Daimler-Beoz and Mitsubishi, could opeo the way for such a move, if the search for a European partoer fails to produce results.

Japan: adjusting to life with a strong yen

Subaru's 400 four-wheel drive van

Sales to crucial US market droop

JAPAN'S domestic market for small trucks and vans is bouyant. Sales to Europe are also going well. But sales of Japanese trucks and vans to the crucial US market are drooping badly.

The Japanese motor industry has adjusted remarkably well to life with the strong yen by cutting costs, increasing production outside Japan and keeping its export prices stable. But Japanese trucks and vans are not part of this happy picture at the moment.

Isuzu, for example, saw sales of light trucks to the US drop by 27 per cent last year to 76,000 units and expects a further decline this year. At the same time, sales to Europe increased by about 6 per ceot, Isuzu's domestic sales jumped by 8 per cent and are expected to grow another 15 per cent to more than 100,000 units this year.

Toyota, the largest player in the market, also saw sales of pick-ups to the US drop by 26 per cent, while sales of its Hilux van declined by 38 per cent last year.

Pick-up sales to Europe increased slightly however, while its European sales of Hi-Ace and Liteace vans declined by 7 per cent. In the meantime, domestic sales of small trucks and vans were up in the year.

Of all of the major manufacturers, Nissan saw the largest declines in the US market, with sales of its light trucks dropping to 62,000 units last year from 122,000 units the year before. Not surprisingly, Nissan decided to stop exporting pick-up trucks from Japan and is increasing production of the trucks at its US plant in Tennessee.

The Nissan is expected to cut the Tennessee plant's passenger car output from 130,000 units to about 50,000 units and increase trucks from 110,000 to 190,000.

The problem in this sector for the Japanese is mainly the steep 25 per cent tax on pick-up trucks.

"This tax means that the Japanese are much more competitive on cars than trucks," explains Ben Moyer, automotive analyst for Merrill Lynch in Tokyo. "As a result, they are losing share in trucks so most producers are talking about shifting production to the US."

This shift has already had a marked impact on exports of Japanese pick-up trucks to the US this year. Sales of Japanese small-sized trucks in the US declined more than 20 per cent for the five month January-May period this year, owing to the yen's appreciation and expansion of local production in the US, according to industry reports.

In Europe, sales of Japanese vans and light trucks are going more smoothly. Nonetheless, Toyota and Volkswagen have signed an unusual deal in which Volkswagen will produce Toyota's Hilux pick-up truck in its Hannover plant beginning early next year with a target of 15,000 units a year from 1990.

At home, strong domestic demand for trucks has helped Isuzu return to profit this year. The company reported operating profits of Y3.4 bn in the first half of the business year ended April, thanks mainly to sharply-expanded sales of trucks and its own streamlining efforts.

This compares to an operating loss of Y8.8 bn incurred in the same period of the preceding business year.

The company says it expects its sales of trucks in the latter half of the business year to remain at the same level as in the first half. Mr Kyoji Sawada, managing director, says that overall sales for the year should reach Y1,000bn for the first time in two years.

At the same time, there have been consolidations in the Japanese truck market. Suzuki, for example, has tied up with Iseki, Japan's third-largest agricultural machinery manufacturer, on the sale and development of light trucks. Iseki will start selling Suzuki's light trucks this year.

About 40 per cent of Suzuki's light truck sales are to farmers. The company hopes to take advantage of Iseki's sales network, including 600 dealers in agricultural areas, to expand truck sales.

Also this year, Daihatsu and Kubota, Japan's top agricultural machinery maker, agreed to cooperate on truck sales to farmers.

Carla Rapoport

VANS AND LIGHT TRUCKS 4

France

Tax incentive aids sales

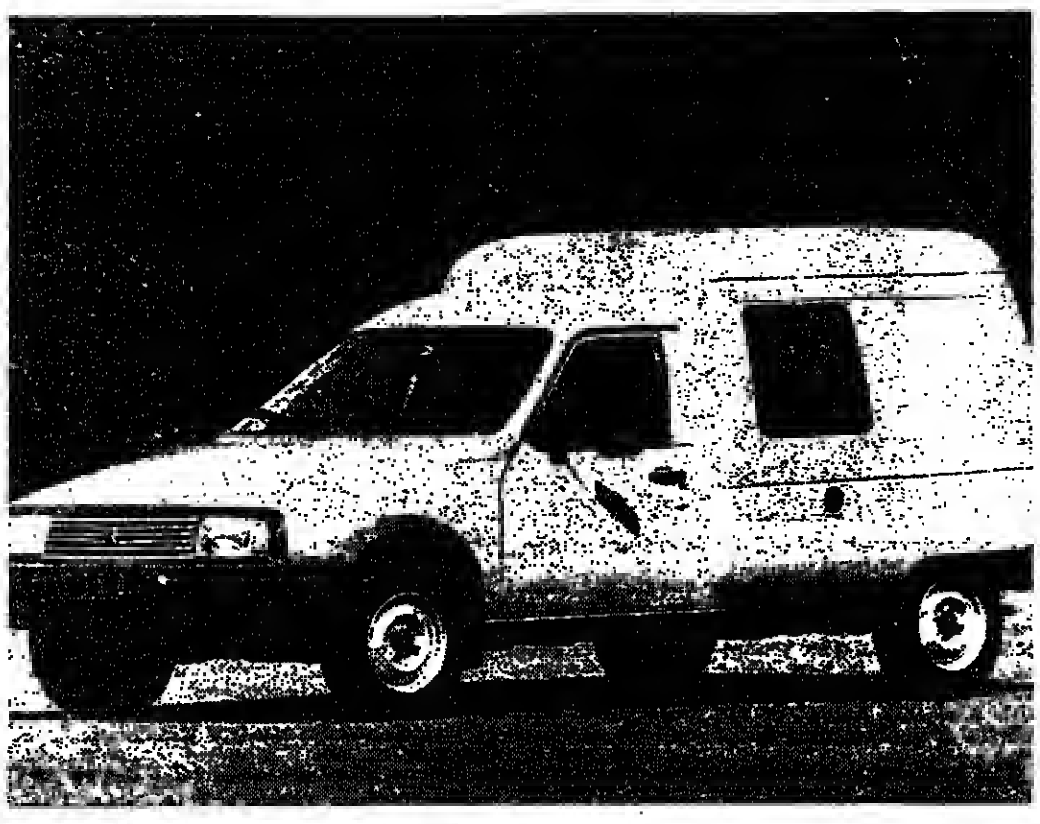
THE FRENCH van and small truck market has continned to perform strongly and steadily. It grew last year by 6.2 per cent to nearly 370,000 new registrations from about 348,000 the previous year.

Althongh this market increased last year less quickly than the passenger car market, which with a 10.2 per cent rise had a record year in 1987, it nonetheless has had a far more sturdy and regular track record than the passenger car sector.

Since 1984, the market has grown steadily from 270,000 new registrations to last year's 370,000. Even during the bad years of the domestic passenger car market, vans and small trucks managed to turn in a respectable performance.

Tha principal reason for this steady performance has been the big tax incentives, which have helped to snstain the Frencb market for vans and small trucks. Valne Added Tax on vans and light trucks amounts to 18.7 per cent in France compared with 28 per cent for passenger cars.

The difference was even bigger before the former right-wing government lowered the VAT rate on passenger cars from 33 to 28 per cent last autumn, giving a further boost to an already buoyant passenger car market.



Citroen C15 van: seeking the edge over Renault

Renault, the French state-owned car group, has also continued to dominate the domestic market for vans.

The group, which returned to profit last year with earnings of Ffr 3.7 bn after several years of heavy losses and major restructuring, has held on to a share of more than 40 per cent of the French small truck and van market despite a growing challenge from tha private Peugeot group embracing the Peugeot and Citroen car marques.

Renault's share of the Frencb van market last year totalled 41.9 per cent after amounting to 42.8 per cent the year before. Its penetration of the domestic market in this sector totalled 44 per cent during the first five months of this year compared with 41.5 per cent in the same period last year.

Renault, which traditionally has had a strong image in France of producing small practical cars, has maintained its lead in the small truck market thanks to its Express van as well as its older Trafic and Masters trucks.

The Express remains the best-selling van in this sector with 17.8 per cent of the domestic market last year and 16.3 per cent of the market during the first five months of this year.

The private Peugeot group has sought to erode Renault's dominant position in France of the van and light truck market by successfully launching in recent years a light van version of the Peugeot 205 supermini, known as the 205 Societe, and the Citroen C15 van.

Citroen has also been selling a utility version of its medium-sized BX saloon called BX Entreprise, which is now being challenged by the utility version of the more recent Renault 21 medium-sized car called the Renault 21 Societe.

The Peugeot 205 Societe has also had to hattle against a similar light van version of the Renault Superfive mini called, like all the other different models in this popular sector of the van market, Renault 5 Societe. But Renault had the edge over Peugeot in this sector of the light van market with the Renault 5 Societe taking a 8.6 per cent share of the overall domestic van market last year while the Peugeot 205 Societe had a 7.6 per cent penetration.

The lower VAT tax rate of 18.7 per cent has made the market for Societe models attractive to an increasing number of ordinary passenger car buyers in France and not just to commercial and business customers.

The private Peugeot car group also continues to trail Renault in the French van market as a whole. Its overall share of the French market totalled 35.3 per cent last year or roughly similar to its penetration of 35.8 per cent the previous year.

The group's market share in this sector has remained at the same level of 35.3 per cent of last year during the first five months of this year.

The Citroen C15 has remained one of the most popular models in this market sector with 9.4 per cent penetration during the first five months of this year compared with 8.4 per cent during the same period in 1987. For the whole of last year, the C15's penetration amounted to 8.5 per cent.

In production terms too, Renault is well in the lead over its private French rival in this sector. Renault's French light truck and van prodnction increased last year by 2 per cent to 236,450 vans from 231,930 vans the previous year.

However, its overall van output including production outside France declined last year by 2.7 per cent to 254,595 vans from 261,635 the previous year. Renault, for example, no longer prodnces the old Renault 4 van in its Paris plant of Billancourt hut in Spain and Yugoslavia.

For its part, the Peugeot group's overall European production of vans and light trucks increased hy 5.4 per cent last year to 215,800 vans from 204,800 vans, or "petites vehicules utilitaires" as they are called in France, the year before.

Paul Betts

West Germany

Users' needs changing

AS WEST GERMANY'S streets and highways become more crowded, so the needs of commercial vehicle users are changing in a way that could reshape the whole market.

In towns and cities, parking is an increasingly frustrating problem: more cars, and pedestrian areas are taking up space where deliveries are allowed only during certain hours. Thus short-distance transport is faced with new challenges.

"Where the competition is stiff, companies have got to see where they can save costs," says Mr Rainer Eigenstetter, an economist with Bayerische Hypotheken-und Wechsel-Bank (Hypo-Bank) in Munich. "In future, they will consider more closely just what their real needs are."

Thus the user will have to take into account even more seriously the space, power, size, and manouvrability needed from a vehicle. System-type solntions could become the norm, with greater use of electronics through on-board computers and other information systems to enable small fleets to be used more efficiently.

It is not a trend that has set the market alight yet. Sophisticated methods of communication aimed at making deliveries faster, more efficient, and thus more cost-effective have gained acceptance mainly at the heavy end of the truck market.

According to Mr Eigenstetter, the upper end of the van and light truck market is likely to stagnate in coming years, while the lower end could expand sharply. This could benefit both domestic and foreign producers.

Users opting for a systems approach, snch as supermarket chains, are likely to stick with one, probably German, vehicle supplier who can meet all their needs. But small operators in, say, the building, retail or mechanical trades, may need only one or two vehicles which could be supplied more cheaply by an outside, probably Japanese, manufacturer.

Since the 1970s, Japanese makers have carved out a sizeable share of the light commercial vehicle market in Europe. In Germany, where the car and truck market is wide open, their path has been far easier than in the rest of the EC.

The Economist Intelligence Unit reckons that Japanese models will have 15 per cent of Enrope's light commercial vehicle market by 1991.

At the bottom of the market, below two tonnes, Japanese companies such as Toyota, Suzuki, Nissan and Daihatsu have all carved ont small but useful shares. In this sector, the big players are Volkswagen, Fiat, Renault, and Ford. Higher up, between two and four tonnes, Mitsubishi, Mazda and Isuzu are also represented.

VW is the biggest prodncer here, followed by Daimler-Benz and Ford. Mitsubishi has edged its way, too, into the four to six tonne sector, which is dominated by Daimler, with Fiat-Iveco and VW some way behind.

So far this year, VW has found the going rougher, while Ford and Daimler have picked up sharply. Ford-Werke of Germany's range includes a new (Belgian-built) Transit van. Daimler has also been successful with its Spanish-built MB 100 D Transporter.

At VW, which has seen a drop in new German registrations this year, the problem is partly competition, above all from the Japanese. But its Transporter is also due to be replaced in 1989. Moreover, the strength of the D-mark has tended to make life harder in export markets, though this year the currency has eased slightly in Europe.

All three of the major German producers have important ties with the Japanese. Ford imports its Econovan from Mazda, VW is setting up a joint venture with Toyota to make pick-up trucks at its under-utilised Hanover plant, and Daimler is talking with Mitsnbishi abont building a new light truck in Spain.

The trend towards cooperation will intensify, Mr Eigenstetter feels. "As development costs are high, producers have to work together more."

Thus German manufacturers can complement their ranges without going to the huge expense of developing new models in markets where unit sales may not be large. Production costs can also be cut, if components are shared with other models.

But while this may benefit the producers, it does not necessarily help the German economy by adding new jobs. For cost reasons, Germany is not the automatic choice of site, as Daimler's truck activities in Spain show.

In Hanover, the VW-Toyota venture will not be on a large enough scale to employ many people. VW's Caddy pick-up is made in Yugoslavia.

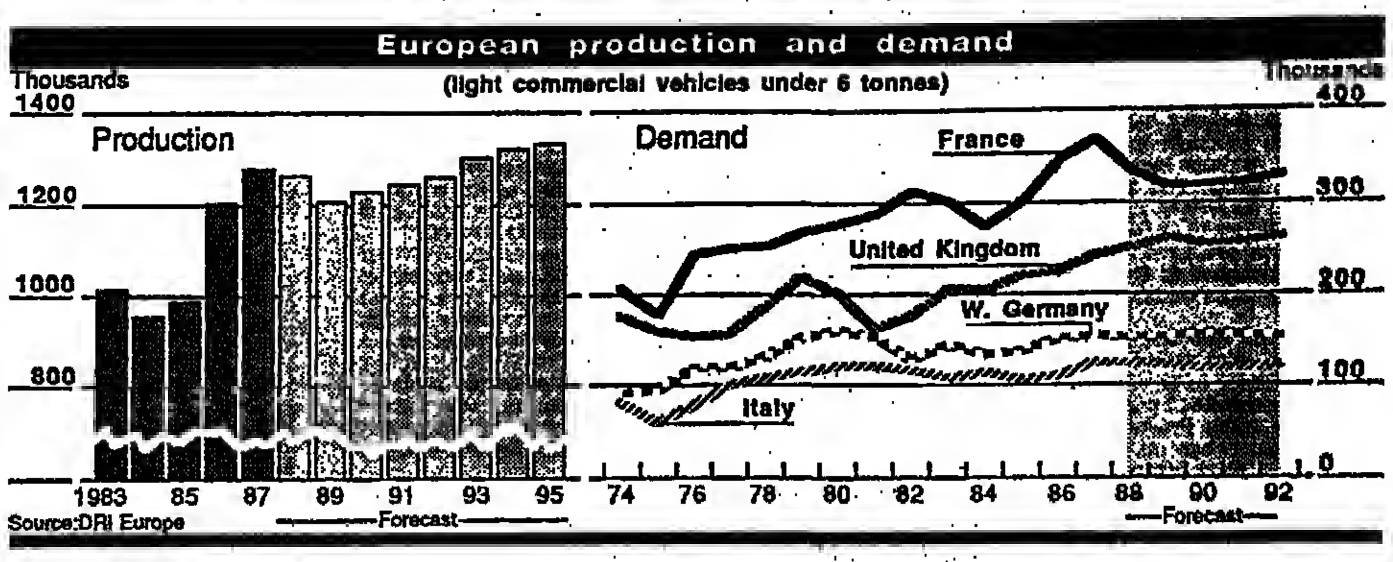
For the user, it does not much matter where the vehicle is made. Image is less important than in the car market, though private purchases of commercial vehicles have risen and a vehicle such as the Renault Espace combines elegant design with function.

At present, the main investment push in the small truck market is coming from the retail, building, and machinery industries. In the first five months of 1988, German production was a healthy 17 per cent higher in the sector below two tonnes at 8,700 units compared with a 4 per cent drop to 48,000 in the two to four tonne range and a 16 per cent increase to 9,800 in the four to six tonne area.

These figures show how varied the market is. When the three categories are added together, however, the result is a flat performance this year for both output and exports.

Thus for the manufacturers, the challenge is to pitch their products as accurately as possihle at a customer base whose needs are evolving and whose fortunes are fluctuating.

Andrew Fisher



Spain

Turnround brings profits

IT HAS TAKEN Nissan eight years to turn round the troubled Barcelona-based van manufacturer Motor Iberica, and although it took its time Nissan has brought about the changeover with a good deal of style.

Finally out of the tunnel, Nissan Moto Iberica SA has glowing, panoramic views ahead of it.

Mr Juan Echevarria, the company chairman, told shareholders that 1987 was the "culmination of a transformation process that had begum in 1981."

The latter year was when the Japanese group, having acquired a 36 per cent stake in Motor Iberica from Massey Ferguson, took a considered long-term bet on the recovery of the domestic market and on the chances of Spain's entry into the European Community and pitched all its managerial knowhow into the Spanish company.

Nissan showed foresight and now is recouping handsomely. Mr Echevarria likes to say that the only error has been one of prudence. He had predicted that 1987 would be a turnabout year hut he was way off the mark when he spoke in terms of a Pta 400m net profit.

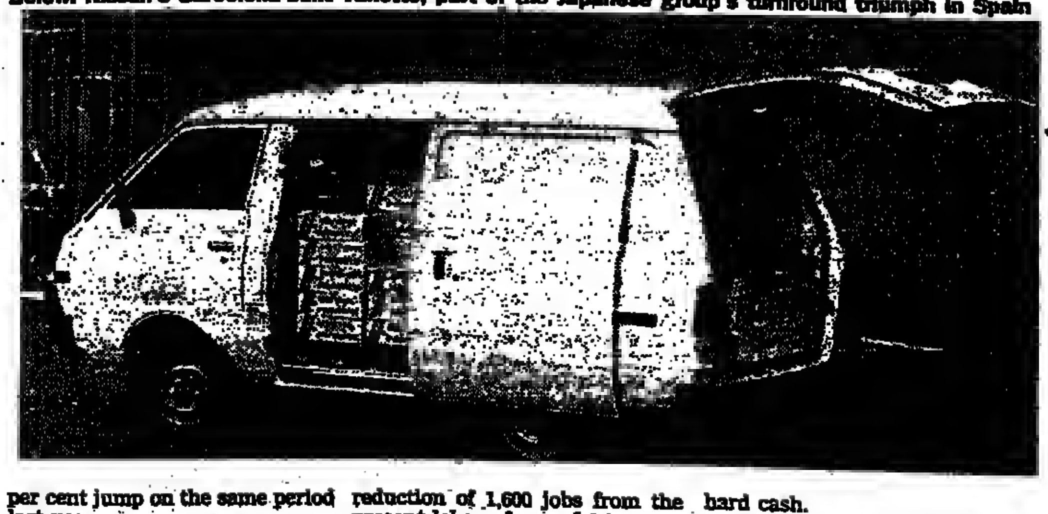
In the event Nissan in Spain was Pta 2,300m in the black last year.

The impressive 1987 results came on the heels of Pta 8.5bn losses the previous year which were down by 21 per cent on the 1985 shortfall of Pta 10.7bn. The turnround was convincingly endorsed in the first quarter of this year when Nissan announced profits of Pta 2.2bn, a 421 per cent increase on the performance during the same period last year.

Mr Echevarria has told shareholders that he expects to pay out a dividend early in 1989 - which very few ontside tha company's determined executives would have imagined less than two years ago.

Nissan's triumph in Spain has to do with having the right prodncts, rationalising the labour input and condncting a fearless investment programma. But it also reflects the particularly strong across-the-board recovery of the Spanish domestic market which has injected considerable buoyancy into the van and truck sectors.

The Spanish vehicle manufacturers association reported that in the first quarter of this year van and light truck production was up 62 per cent on January-March last year and that domestic sales had increased by 29.7 per cent. in this year's first quarter, 6,105 vans were exported, a 196 per cent jump on the same period last year.



Above: The Seat Terra, with integral cabin roof rack, now being introduced into the UK market.
Below: Nissan's Barcelona-built Vanette, part of the Japanese group's turnround triumph in Spain

Mercedes Benz Espana, the subsidiary of Daimler-Benz, was following Nissan's path, though at a less spectacular pace, with an end last year to six consecutive years of losses and a strongly-improved pattern from the beginning of the present year.

The subsidiary of the West German group is in the midst of a Pta 11bn investment programme directed almost exclusively towards the modernisation of its Vitoria plant in northern Spain and results are making themselves felt in a spectacular fashion: a total of 5,590 units were produced in the first quarter of this year, an increase of 187 per cent.

Even Enasa, Cinderella of the domestic industrial vehicle manufacturers and a consistent loss-maker for its owners, the public-sector holding company Instituto Nacional de Industria, is talking in terms of a return to profitability in 1991. By this time it will have completed a Pta 12bn investment plan that envisages a reduction of 1,600 jobs from the present labour force of 6,700.

The public company's recovery programme involves a concentration on its heavy truck line and a scaling down of all its other products. It is developing a new cab with DAF of the Netherlands and it acquired Seddon Atkinson from International Harvester three years ago.

Nissan, with the strongest results in the sector - 40 per cent of the domestic van market against 18 of Mercedes-Benz, its nearest rival, and a 6,000 labour force, 600 less than two years ago - is set to spend some Pta 9bn this year in improving its output still further.

A third of this year's investment has been allocated to R and D and the company is considering setting up a new research plant in the technology park of Valles, outside Barcelona.

What is particularly interesting about the Japanese company's sure-footed progress in Spain is the manner in which, at every stage, it has backed its instinctive belief in the project with hard cash.

Over the years some Pta 63bn have been invested to revamp the old Motor Iberica and the breakdown reveals that some 40 per cent was spent on fixed assets, 11 per cent of R & D, 34 per cent on restructuring and 13 per cent on finacial investments.

Mr Echevarria said at the beginning of this year that the company had wiped out its debts, which stood at Pta 4.8bn at the end of 1986, and that it hoped to do as much with the Pta 10bn accumulated losses by the end of the present year.

Nissan's npbeat prospects in Spain have enabled the Japanese company to begin to look beyond its Vanettes, trade vans and its standard Patrol four-wheel drive vehicle.

It now plans to manufacture fork lift trucks at a plant Motor Iberica owns near Pamplona and has earmarked the Barcelona factory for European production of the vehicle it plans to manufacture worldwide with Ford.

Tom Burns

Italian purchasers are being offered a better than ever choice, says **John Wyles**

Deliveries advance to record levels

DEALERS in light commercial vehicles in Italy are wearing broad smiles at the moment as deliveries are pushed up to still higher record levels by the continuing strength in the economy.

Last year's total sales were 27.8 per cent up on 1986 and in the first four months of this year the rate has moderated only slightly to 20 per cent.

This can be taken as a fairly accurate reading of the health of small and medium-sized Italian businesses in both commerce, construction and manufacturing. Would-be purchasers are being presented with a broader than ever range of vehicles to choose from and are being served by an increasingly specialised sales force.

But according to the main manufacturers, the strength of demand also reflects non-commercial consumer tastes. Fiat says that up to a quarter of its top-selling Ducato range of vans is in the form of chassis for campers which are steadily replacing canvas as the medium for outdoors, self-catering holidays.

The proportion sold for this use was only about 6 per cent three years ago.

In addition, purchasers of the smallest light vans, such as the Fiat Fiorino, Ford Escort van and Renault Express are also buying with private use in mind, which means that the designs must offer levels of comfort and performance comparable to equivalent saloon cars.

In terms of overall sales, there are no spectacular changes in market shares, although domestic manufacturers, principally Fiat and its Iveco subsidiary, had to give some ground last year, partly because of the overall strength of demand.

Deliveries of Italian marques rose by 11.1 per cent to 70,876 to take 57 per cent of the market against 60.46 per cent the year before.

Italy's light vans and trucks market

	1986	% share	1987	% share
Alfa Romeo	2,275	2.2	2,185	1.8
Fiat	45,955	43.6	51,058	41.1
Iveco	15,510	14.5	17,630	14.2
Total Italian	63,740	60.5	70,875	57.1
Ford	10,680	10.1	15,955	12.9
GM-Opel	2,457	2.3	2,940	2.4
Renault	9,213	8.8	13,280	10.7
Volkswagen	5,735	5.4	5,738	4.6
Total imports	41,690	39.5	53,316	42.9

Source: Associazione Nazionale Fra Industrie Automobilistiche and manufacturers.

The biggest beneficiary among the importers was Ford which has held the number one import position since 1971. Thanks to very strong demand for the Transit, which took 16.5 per cent of the 3.5 tonne market and which was the top selling model in this sector until Fiat introduced the Ducato in 1981, Ford boosted its sales by 49 per cent to 15,955 to take 12.9 per cent of the overall market.

Renault were not far behind, pushing their sale up by 44 per cent to 13,280 to take 10.7 per cent of the market. Volkswagen gave ground slightly and GM-Opel sales rose only modestly.

Fiat and Iveco have fought back in the first four months of this year, raising the group's market share to 58.7 per cent and both Ford and Renault have seen their shares slip slightly.

Fiat says that demand for its Ducato is now hitting against production limits at its plant at Sivel in the Abruzzo's Val di Sangro, where half the production of 500 units a day is divided with Pengeot-Citroen-Talbot which exports its share. An expansion of capacity is now being considered.

Registrations of the main Ducato model, the 10/14, rose last year to 22,545 from 18,812 the year before to take 51.6 per cent of 3.5 tonne commercial van market. The company expects to slightly improve the model's market share this year.

Fiat's top-selling Ducato - a quarter are being sold to campers

Overall, more than 44 per cent of Ducato production is exported - a higher proportion than for any Fiat car.

Fiat's main export markets are West Germany, the UK, France, Holand and Switzerland which were the destinations for more than 30,000 vehicles last year.

At the same time, sales last year of the longer wheelbase Ducato Maxi climbed from 4,465 in 1986 to 6,075 to give it 18.4 per cent of a market dominated by the Iveco Daily which took 47 per cent by selling 15,740 units, more than 2,200 up on1986.

The overall strength of the Fiat group's sales this year is expected to be helped by the relaunched Fiorino which was presented in April. After seven years on the market, the original Fiorino was beginning to look tired and its market share had fallen from a peak 60 per cent of light van sales in 1984 to 42 per cent last year.

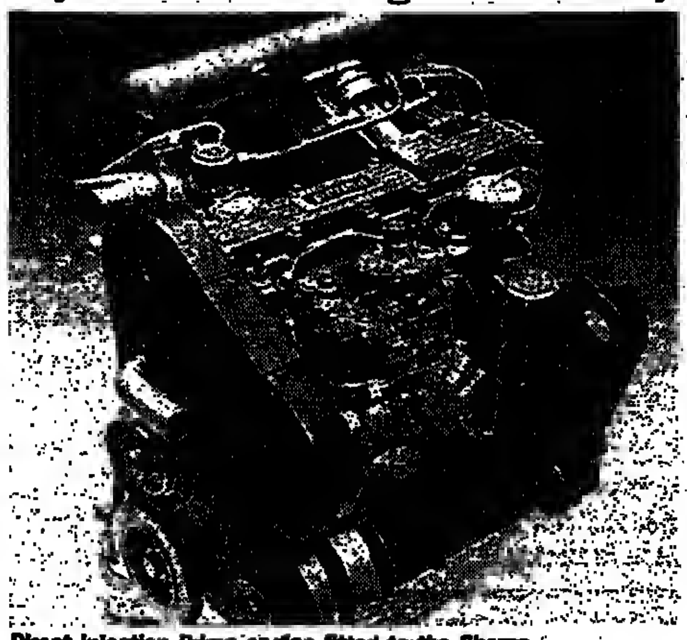
In the same period, the Ford Escort van raised its hold from 1.6 to 3.8 per cent. The Renault Express, meanwhile, has been running away with this sector, taking 14 per cent of sales in its launch year, 1986, rising to almost 25 per cent last year.

All the main distributors are placing increasing emphasis on training their sales forces, given the increasingly specialised nature of the adaptations of their products. But they are not encouraging them to discount prices, there being very little need given the strength of market demand.

With up to 50 per cent of sales in the 3.5 tonne sector now going to fleet buyers of more than about five units, there is growing competition to provide sophisticated financing arrangements including both leasing and buy back arrangements.

John Wyles

Buyers demand long-life reliability



Direct injection Prima engine fitted to the Sherpa

An all-makes bonanza

THE PETROL ENGINE is now a rarity in commercial vehicles with an all-up (gross) weight of more than 36 tonnes. In the UK market, Mercedes-Benz is the only manufacturer to offer one, its 410, rated at 4.6 tonnes and introduced last year.

Ironically perhaps, Mercedes has been one of the Prime motivators of the move from petrol to diesel power in light commercials.

In its lightest Bremen vans and chassis-cab, diesel versions have consistently outsold their petrol-engined counterparts, ever since their introduction in Britain nearly a decade ago. Only in the last two or three years have other manufacturers seen their balance of sales in the key weight sector about 3.5 tonnes swing significantly towards diesel power.

Mercedes' "premature" success in selling its 207D and 307D diesel vans and chassis right through the 1980s gives a clue to the reasons for today's all-make diesel bonanza.

Buyers of vans and light trucks are increasingly demanding those qualities of long-life, high-mileage reliability and fuel economy which are usually associated with heavier truck operation.

The diesel option adds to the initial outlay: the engine's higher internal pressures mean more robust (and therefore heavier and more expensive) construction.

The heart of any diesel is its fuel-injection system, whose precision engineering makes for added cost, against the much simpler modestly-rated carburettor petrol engines fitted in vans.

Many buyers also took the view that a diesel engine would outlast the rest of the vehicle. When at the end of three or four years rust had wreaked havoc in the body or cab structure and the clutch, gearbox or suspension were needing major attention, the engine would still have many thousands of useful miles left.

But with the advent of computer-aided design and manufacture (CAD-CAM), and new materials technology, overall engineering quality has risen perceptibly. Vehicles are moredurable and reliable, emulating the diesel engine philosophy.

Cost-per-mile calculations by those light van and truck users who pay such detailed attention to transport expenditure are now based on longer replacement intervals.

The on-cost of diesel power thus becomes much more readily justified. Price premiums for diesel vehicles vary wildly between different manufacturers and models. On a rear-engined Volkwsagen pick-up you pay only £326, or 4 per cent extra for the diesel variant.

In contrast Ford charges £1,302, or more than 20 per cent more, for the diesel option on its lightest Transit van, the 80 Popular.

In the case of the Transit, Ford's direct-injection 2.5Di engine, introduced in 1985, has more than lived up to its promise of reliability and excellent fuel economy - it is returning up to 20 per cent better miles per gallon figures than its more troublesome indirect-injection predecessor.

Demand for diesel Transits has soared, enabling the company to indulge in a classical piece of strategic pricing, letting the dieselprice premium be determined by what the market will stand.

Profit margins on short-wheelbase Transit diesels are at present almost certainly higher than on any other Ford commercial vehicles or cars. Interestingly, the same £1,302 diesel premium is held for the heaviest 3.5 tonne Transit models as well, but as a percentage it is far less: about 12 per cent on a 190 van.

In contrast, the relative pricing of petrol and diesel models in the rival Sherpa range, made by the the Freight Rover division of Leyland-DAF, is structured somewhat differently, though it must be pointed out that the light 200-series and heavy 300-series Sherpas take different diesel engines - respectively the direct-injection Perkins 2 litre Prima and an older heavy, less fuel-efficient 2.5 litre Land Rover (indirect injection) unit.

Freight Rover's list prices are about 17 per cent higher when diesel power is specified on the 200 and 12 per cent in the case of the wider-bodied 300.

You can expect to pay between 10 and 15 per cent more for the diesel option in the smallest car-derived vans such as the Ford Fiesta, VW Golf and Austin Maestro.

Do the fuel savings achievable with a diesel recoup the additional outlay? The answer will depend on the mileage covered per year. The higher the mileage the sooner the pay back in fuel bills.

As an example, a one tonne payload diesel van returning 30mpg, in contrast to say 18mpg from a petrol-engined counterpart, would at today's fuel prices justify the choice after about 27,000 miles.

For a busy van used on long-distance deliveries, the cost would be recovered in less than a year. On stop-start working around town, total mileage is less but the diesel's economy advantage in percentage terms is greater under such conditions so that the extra initial outlay can often be equally justified.

Proof that the extra cost of diesel power is thought worthwhile by an increasing number of buyers comes in comparative petrol and diesel vehicle registration statistics.

In the 2.5 to 3.5 tonne sector, covering roughly the Ford Transit range weight span, diesel sales this year are running about 7 per cent higher than in 1987. The first few months of the year saw diesels take just over 45 per cent of the sector.

Many manufacturers forecast that the figure will move above 50 per cent by the end of the year.

As long as tha diesel remains perceptibly noisier than the petrol engine, albeit mainly on tick-over, and diesel fuel remains smelly (deodorising additives are under activa development) there will be resistance other than on cost grounds to its adoption, in light commercials as well as in cars.

But as technology advances, particularly in the field of direct-injection combustion chambers,

Alan Bunting

Ergonomic advances are vital to efficiency, says Alan Bunting

Easier life for drivers

HOWEVER economical a van might be to operate, with excellent reliability, weight-carrying ability, meagre fuel economy and long service intervals, there are other practical (and vital) considerations which can effectively remove the vehicla from a potential buyer's short list.

A key factor is the extent to which the van or light truck can be used easily by the person whose workplace it becomes - the driver.

A commercial vehicle driver's job is already onerous enough, having to meet tight delivery schedules on ever more congested roads, with yellow line parking restrictions more often than not making minor skirmishes with the law unavoidable.

He or she is entitled to expect a vehicle which keeps additional hassles to an absolute minimum.

A comfortable driving position with light, easily-reached controls and switches, clear unambiguons instrumentation and warning lights are basic requirements which all manufacturers aspire to provide, and most do.

Employed, as opposed to self-employed drivers - those who never have to think about fuel bills - inevitably prefer a petrol to a diesel engine because of its smoother, quieter and more lively performance. But the durability as well as the economy benefits of the diesel result in drivers having little choice bot to adapt their driving technique to the more sluggish diesel.

For the driver, some compensation for loss of acceleration suffered when diesel power is specified has come with other engineering advances. Today's engines are inherently quieter than their predecessors; cabs in any case are better insulated against engine and other mechanical noise and vibration.

Even a van like the Volkswagen LT, with its engine located below the seats, is surprisingly quiet in diesel as well as in petrol form.

The latest LT's six-cylinder 2.4 litre diesel, in any case, scores on smoothness over its main rivals, all of them having only four cylinders.

Ford and Fiat-Iveco were the first to fit direct-injection (di) diesels (in which the fuel is "squirted" straight into the main combustion space above the piston) for capacities as small as 2.5 litres.

Fiat added a turbocharger at the same time, which helped suppress noise as well as boosting brake horsepower. The new di diesels are inherently noisy on tickover and when accelerating hard, but at speed they are acceptably unobtrusive.

Convenient side loading with a Bedford Rascal

Getting in and out of any truck or van involves agility and sometimes contortions. The ease with which it is possible to get to and from the driving seat is a major consideration for the man, and increasingly the woman, making 30 or 40 drops a day.

Milk or baker's delivery rounds are perhaps the ultimate examples. Vans with a cab entry step *behind* the front wheel arch invariably score over those with a forward entry. This goes some way to explain the continuing popularity of the Ford Transit range.

Although the Transit was completely restyled three years ago, the original cab configuration relative to the front axle was retained.

Other vans and chassis with rear-of-wheel arch entry include the Freight Rover Sherpa, Mercedes-Benz Bremen models, Renault's Trafic and Master, and the "triple-cloned" Sevel-built front-wheel drive Fiat Talbot and Citroen models. With all of them it is possible to step inside withont handhold support.

In contrast, VW cabs - both the LT and the lighter rear-engined 1-tonner - and the latter's Japanese-designed rivals from Bedford, Toyota, Nissan and Mitsubishi, are of forward-control (essentially flat-fronted) layout, with the engine between or below the seats. Restricted space available ahead of the wheel arch allows room for a small "one foot only" step.

Vertically above the step the backward slope of the windscreen pillar forces the driver off-balance as he leans to the left, so that use of a grab handle - or the steering wheel acting as one - becomes unavoidable.

Small vans with steeply-raked screens and low door openings, such as the Toyota Lite Ace and Nissan Vanette, call for greater than average contortions, especially for tall drivers.

Of course, it can be argued that a car-derived half-tonne payload van such as a Ford Escort or Bedford Astra scores even lower marks for the driver making multiple deliveries.

As any osteopath, or any motorist who has suffered back trouble, will testify, the twisting of the spine and simultaneous bending at the waist and knees which getting in or out of an average car involves, are ergonomically hazardous.

For most drivers of delivery vans, getting into the loadspace, with often barely 4ft of headroom, is best avolded. It is preferable to stand outside the rear doors and reach into the interior.

A car-derived van with handbrake and gear lever between the seats is also highly impractical for in-town deliveries where the driver needs to get out on the kerb side.

Japanese makers, realising the shortcomings of a low-bonneted "car shaped" van for multi-drop deliveries, developed in the mid-1970s a totally-different shaped vehicle of similar weight capacity.

The so-called micro vans and pick-ups made by Honda, Daihatsu, Subaru and Suzuki (the last named built under licence in the UK as the Bedford Rascal) are tall and narrow but with easy step-in access.

Because the cab floor and step are relatively close to the ground, the disadvantages of a forward-entry layout mentioned earlier are of minor consequence. All the micros have tiny, under 1 litre engines which can be accommodated below tbe floor without seriously encroaching on cab or loadspace. But they lack the performance of a typical car-derived van with a power unit twice the size.

Which is why many drivers in Britain at least, regard micros with a degree of scorn, a feeling reinforced by their rather fragile appearance.

Panel vans

New Transit dominates Europe's boom market

IT HAS TAKEN less than two years for the Ford Transit, relaunched with an entirely new shape in 1966, to establish dominance of Western Europe'a large and booming market for medium-sized panel vans.

Ford prodnced 130,265 of the "new" Transits last year, relegating Volkswagen's Type-2 range, better known as the Transporter, to second place in the European prodnction league at 114,365 units.

The runner-up position is not one to which VW has been accustomed, nor one to which it is resigning itself. A replacement for the current range is expected late next year. Armed with it, Volkswagen will once again expect to challenge Ford for supremacy.

The new model is expected to feature front-wheel drive, a sloped front and other aerodynamic aids, and transverse engines.

However, even VW accepts that there is unlikely to be a return to the halcyon days of 1980, when the company built 174,245 Transporters in West Germany alone. For at that time the Japanese invasion of Western Europe's light commercials market was only just beginning, then climbed to a Japanese share of 12.1 per cent, representing some 70,000 sales, by 1986 - a level at which it now appears to have stabilised.

"Appears" is a correct description - for the Ford-VW battle is also taking place against the background of continuing and major restructuring of the medium vans industry in Western Europe, in which Japanese manufacturers are increasingly involved.

One venture involves Volkswagen itself, which is launching a collaborative project with Toyota to produce one-tonne pick-ups based on Toyota's ubiquitous Hi-Lux - starting from next year.

The impact of the project should be relatively small - 15,000 units a year are envisaged - when set against the record 621,790 sales in Western Europe last year of light commercials of between 2 and 3.5 tonnes gross vehicle weight (a rise of 10.6 per cent on 1986).

Light commercial production in Europe (2.01–3.5 tonnes)

Model		Year 1987	% Share	Year 1986	% Share	% Change
Ford	Transit	130266	21.5	105980	19.0	22.9
VW	Type-2	114363	18.9	122325	21.9	−6.5
Sevel	Ducato	103962	17.2	90254	16.2	15.2
Renault	Trafic (1)	58741	9.7	52753	9.5	11.4
Mercedes	Bremen	45808	7.8	48520	8.7	−5.6
Iveco	Daily	36138	8.0	32366	5.8	11.7
VW	LT	20821	3.4	18463	3.3	12.8
F-Rover	Sherpa	19851	3.3	18364	3.3	8.1
Renault	Master/B70	18310	3.0	16090	2.9	13.8
Ebro	Tradevan	15018	2.5	12117	2.2	23.9
Peugeot	J9	14174	2.3	13082	2.3	8.3
Mercedes	MB90-MB180	11061	1.8	8047	1.4	37.5
Bedford	Midi/CF	8261	1.4	10920	2.0	−24.3
Citroen	C35	6571	1.1	5338	1.0	23.1
Enasa	J4	2467	0.4	3269	0.6	−24.5
Sovam		75	0.0	59	0.0	27.1
Totals		605887	100.0	557947	100.0	8.8

* Includes vehicles shown under car and bus production
(1) Includes CKD units
Source: Automotive Industry Data

However, Daimler-Benz of West Germany has also signed an agreement under which it is to produce the Mitsubishi L300 van at one of the German company's Spanish plants, at intended volumes which have yet to ba clearly indicated, with further joint development of new vehicles in the 2-4.6 tonnes GVW range being envisaged.

Nissan, meanwhile, is using its 80 per cent-owned Motor Iberica plant in Spain to expand production of the Ebro Tradevan, of which some 15,000 units were produced last year.

In the UK, General Motors last October placed its Bedford vans business into a joint company with Isuzu, the Japanese car and commercial vehicle producer in which GM has a 40 per cent stake. The new company, IBC Vehicles, is 60 per cent owned by GM but management control rests with Isuzu.

It currently produces a one-tonne payload panel van, the Midi, based on an Isuzu design, and a Suzuki-based microvan, the Rascal, which is also sold through Mr Gerald Ronson's Heron Suzuki subsidiary as the Suzuki Super Carry.

Ford is also now selling on the Continent a one-tonne panel van produced by its Japanese affiliate, Mazda, but rebadged as the Ford Econovan.

These Euro-Japanese collaborative arrangements are likely to be followed by others, according to Mr Michael Pearce, author of an Economist Intelligence Unit analysis of Western Europe's light commercial vehicle industry.

Japanese makers are increasingly involved in the continuing major restructuring of the medium vans industry

These, he suggests, will more than compensate for an inevitable fall in direct Japanese exports to Europe as a result of the strengthened yen. In 1991, he forecasts, direct imports will fall to about 50,000 units, or 7.7 per cent of a 2-3.5 tonnes GVW market totalling some 650,000 units.

However, even based on currently-known plans, another 100,000 Japanese vehicles a year could by then be in production in Europe itself. This would lift total Japanese penetration of Europe's medium van market to about 15 per cent.

However, the restructuring has involved not only the Japanese. Also in the UK, where the upheavals have been greatest - including the demise last year of the CF van, Bedford's former would-be Transit challenger - the former Freight Rover vans subsidiary of State-owned Rover Group is adjusting to life within Leyland DAF.

The Anglo-Dutch group was formed as the result of the UK Government selling the assets of both Freight Rover and the Leyland Trucks division of Rover Group to Dutch truck maker DAF. The UK Government has a 40 per cent stake in Leyland DAF, but management control lies entirely with Eindhoven.

The deal was pre-dated by a markoting arrangement under which DAF has been selling Freight Rover's Sherpa vans and Leyland's Roadrunner medium trucks under DAF badges on the Continent.

Progress is now being made towards a long-needed replacement for the Sherpa, planned for about 1990 at an intended investment cost of £15m.

DAF's chairman, Mr Aart van der Padt, has said that the new range should allow output from Freight Rover's Birmingham factory eventually to be doubled to about 40,000 units. Currently the plant is working close to its single-shift capacity of 20,000 units.

The company will, however, face ever-stiffening competition, not least from Italy, whose production of vans of between 2 and 4 tonnes GVW has more than doubled during the 1980s to about 140,000 units.

This reflects in particular Fiat Auto's joint venture company with Peugeot of France - Sevel. Its products carry no fewer than than three badges: Fiat Ducato, Peugeot J5 and Citroen C25, with supplies being shared roughly equally between the partners.

Last year, every last bit of output was squeezed from Sevel, which produced just under 104,000 vans - considerably more than its theoretical 90,000 capacity.

John Griffiths

VANS AND LIGHT TRUCKS 7

Manufacturers are still restructuring to win more sales in this highly competitive market, says **John Griffiths**

Trucks under pressure from panel vans

THE EUROPEAN MARKET for light trucks, those most typically in the 6-7.5 tonne sectors above which most countries require operators' licences, remains highly competitive and is still restructuring.

It is also coming under pressure from very large panel vans, of the type produced both by Daimler-Benz in West Germany and Iveco, with its Z range, in Italy.

Much of the restructuring has been taking place in the UK, which in the past few years has seen Ford place its truck operations, comprising the Cargo range but excluding light commercials such as the Transit van and chassis cab, into a joint company with Fiat's truckmaking subsidiary to form Ivevo Ford Truck.

Meanwhile, the former UK State-owned Leyland Trucks is acclimatising itself to management control by DAF, the Dutch truckmaker, following last year's deal under which former Leyland Trucks parent Rover group has a 40 per cent staka in the joint Anglo-Dutch company DAF BV.

It required the UK Government to pump some £300m into Leyland Trucks to allow the merger, which also included the UK vanmaker Freight Rover, to go ahead.

However, it has led to Mr Aart van der Padt, DAF's chairman, being able to report this spring that the new group has been profitable from the start.

Mr van der Padt declined to give details but said that the Leyland operation, whose Roadrunner light trucks it markets throughout Europe under the DAF badge, made a positive contribution to DAF's net profits of Fl60m (£18m), which were almost double the 1986 level.

The DAF and Leyland distribution networks had also been quickly merged in the UK, Mr van der Padt said. And the net effect on the formerly heavily lossmaking UK company appears to have been wholly positive. Leyland built about 12,000 trucks last year, up about 50 per cent on 1986, and expects to build more this year.

A further boost for Leyland DAF, the operating company formed in the merger, came two months ago when it was announced that DAF was transferring production of about 1,000 trucks a year from the Netherlands to the UK.

Toyota's Hilux four-wheel drive

The one slightly downbeat note was that DAF's hopes of selling 3,000 Roadrunners a year to Paccar, the North American heavy truckmaker which was a rival would-be purchaser of Leyland Trucks, went unfulfilled.

Mr van der Padt said earlier this year that the proposals had been "shelved." But quite apart from the weak dollar making such an arrangement uneconomical, Paccar executives say that no formal approaches were ever put on the table.

For the moment at least, the Leyland work force which had feared rationalisation of Leyland DAF's operations at the expense of UK plants appear to have had those fears put at rest.

Leyland, however, is not the only UK manufacturer with a valuable part of its operations in light and medium trucks whose future has turned out to be brighter than once hoped.

General Motors had itself sought to take over Leyland Trucks just over two years ago, but the takeover foundered on MPs' opposition to Land Rover being included as part of the deal. As a consequence, commercial truckmaking operations by its Bedford subsidiary ceased at the end of 1986, leaving only military trucks to carry on.

However, at the end of last year the surviving operations were sold to Mr David J. B. Brown, who owns a group of specialised vehicle manufacturing companies headquartered at Peterlee, County Durham.

Bedford - or at least its light and medium truck operations, for light van production is still owned by GM and medium vans by IBC Vehicles - is now run as AWD, and the trucks themselves marketed as AWD Bedfords.

In March, AWD, which had a £100m turnover last year, was able to announce that it had won a £50m order from the UK Ministry of Defence for 2,000 four and six-tonne trucks to be delivered over the next two years.

Estimated new registrations in Europe – 1980-86

	Total	of which Japanese imports	% Japanese
Small vans up to 2 tons			
1980	355,000	20,000	5.6
1981	400,000	30,000	7.5
1982	395,000	40,000	10.1
1983	465,000	45,000	9.7
1984	*440,000*	*50,000*	*11.4*
1985	565,000	65,000	11.5
1986	650,000	65,000	10.0
Medium vans 2-3.5 tons			
1980	520,000	25,000	4.8
1981	500,000	35,000	7.0
1982	495,000	35,000	7.1
1983	505,000	40,000	7.9
1984	495,000	60,000	12.1
1985	535,000	65,000	12.1
1986	580,000	70,000	12.1

Source: Economist Intelligence Unit

Registrations in Europe

(2.01-3.5 tonnes)

	1987	1986	% change
Austria	17950	15623	14.9
Belgium	17504	15281	14.5
Denmark	19600	20291	−3.4
Eire	3600	4563	−21.1
Finland	11600	10629	9.1
France	113277	101356	11.8
Germany	*129862*	*116915*	*11.1*
Italy	77900	69206	12.6
Nethlnds	24900	23938	4.0
Norway	11700	14418	−18.9
Spain	36800	28968	27.0
Sweden	14100	12022	17.3
Switzlnd	20671	18703	10.5
UK	122328	110472	10.7
Europe	621792	562385	10.6

*Provisional figures

Source: Automotive Industry Data

Mr Ron Hancock, the blunt former chairman of Leylaod Vehicles who is now managing director of AWD, says be expects AWD to be profitable in its first full year of operations and that most of its intended 8,000 units production this year is already covered by firm orders.

It is also AWD's firm intention to return to the mainstream commercial trucks market, with a full range of vehicles from 7.5 to 100 tonnes gross weight - with the first, a 7.5 tonner, due for launch this summer.

At the time of the purchase from GM - on undisclosed terms but believed to bave involved GM in substantial debt write-offs - Mr Brown assured workers that all 1,200 of them would be retained.

He bas been as good as his word, and the talk now is of expanding the workforce later this year.

More restructuring is currently under way in Spain, wbere the Government is awaiting EC epproval of investment and rationalisation plans for Enasa, the State-owned maker of Pegaso trucks and vans whicb it has been *unsuccessful* in *selling off*.

According to analysis by consultants DRI Europe, tbe indications are that restructuring will involve an end to light truck and van production - thus opening up a potential niche for Nissan-Motor Iberica to fill.

Last year Enasa signed a deal witb Volkswagen and MAN of West Germany under whicb it has heen assembling 6 to 10 tonne trucks from the joint MAN/VW LT trucks range. The trucks, which use some Spanisb componenW, are being sold under the Pegaso badge.

Meanwhile, Daimler-Benz is talking with Mitsubishi of Japan about collaborating on the production of a light truck range, but progress seems to heve been slower than expected in the light of the two companies' already-established collaboration on a van range, the MB 80, due to be launched later this year.

Car-derived vans

Strong impact by microvans

FOR THE moment at least, the West European market for small vans, primarily but not exclusively those derived from cars, is escaping serious attention from the Japanese motor industry.

With the number of light commercials they can import constrained in such major markets as the UK, France and Italy, it made sense for Japanese producers to switch their attention at a fairly early stage from the small van sector, where their presence was first felt in the 1970s, to the more-profit-per-unit medium vans sector.

This they have done and their representation in the small vans sector is now confined almost exclusively to the "microvan" - typified by the Bedford Rascal/Suzuki Super-Carry vehicles currently being built by IBC Vehicles, the former General Motors Bedford subsidiary in the UK, and of which IBC expects to produce some 18,000 units this year.

Europe's production of small vans – 1986

	'000 units	% share
Renault	218	34.8
Peugeot Group	205	32.7
Ford	75	12.0
General Motors[1]	54	8.6
Volkswagen/Seat	34	5.4
Rover	18	2.9
Fiat Auto	14	2.2
IBC Vehicles	9	1.4
Total	627	100.0

[1] Includes some double counting.

Source: Economist Intelligence Unit

The impact of such vehicles during the 1980s nevertheless has been considerable in that they have belped broaden the small vans sector and substantially increase its volume, particularly in European countries where tbere is no indigenous motor industry.

Last year's West European market for "small" vans - up to 2 tonnes gross vehicle weight - is variously estimated to have been about 650,000 units, compared with under 400,000 in the late 1970s.

And while only some of this growth is accounted for by microvans and another popular Japanese vehicle, tbe car-based pick-up, nevertheless Japanese vehicles had an estimated 10 per cent of the total last year.

However, this reflects the fact that in a restricted number of countries they have the lion's *share of the sector*, with *market* shares of more than 50 per cent in Denmark, the Irish Republic and Finland, and almost 50 per cent in Norway.

Nevertheless, the overall small van sector in Europe continues to be dominated by European - mainly French - producers, with little prospect of this changing.

Peugeot and Renault between them account for an estimated two-thirds of all small van production in Europe, each with about one third and with combined output approaching 450,000 units a year. Ford is a distant third, with about 12 per cent, according to estimates by the Economist Intelligence Unit.

The reasons for this peculiar French strength lie in the structure of French vehicle tax legislation, and to a lesser extent that of Spain where both companies also produce small vans.

Many French motorists use small vans as a substitute for cars because they are subject to a VAT rate of "only" 18.7 per cent. Until September of last year, this compared with a VAT rate on cars of 33.8 per cent.

A subsequent lowering of the rate on cars to 28 per cent appears, however, to have done little to reduce the incentive to buy vehicles like the Renault Express (sold in the UK as the Extra), based on the R5, and the Visa-based Citroen C15.

Outside the UK, the third-largest market for small vans, interest in the sector is relatively low. West Germany, Europe's largest vehicle market, is much more oriented towards medium vans, a trend being observed increasingly in Italy.

Fiat, which pioneered the car-derived van fitted with a large "box" rear compartmant to handle goods of large bulk but relatively low weight, has been reducing its output in Italy of such vehicles to below 15,000 units a year and increasingly supplanting them with Brazilian-built Fiat 127-based Fiorino vans.

Overall, a virtually static market is forecast for the sector in Western Europe between now and 1991 when, by EIU estimates, about 650,000 units will be sold compared with 627,000 in 1986.

DRI Europe, in its analysis of prospects facing the world's commercial vehicle industry, forsees an actual decline in sales in France over the next few years.

Its statistics show that last year 245,660 small vans were registered in France. It predicts a sharp drop next year, to 209,000, and then a gradual recovery, to a 240,000 market, by 1995.

West Germany produced only about 75,000 small vans last year. But some interest hes been aroused by negotiations which have gone on between Volkswagen and Ford under which a "mini-van" might be jointly produced to slot beneath both companies' medium van ranges.

And since Volkswagen acquired the Spanish car maker Seat two years ago, the question has to be asked whether Volkswagen might use the Spanish subsidiary as a base from which to launch a new small vans range in Europe. As yet, it has given no indication of such an intent but the option is certain to be under consideration.

In the UK, small van production was given a boost by Ford, where output of Fiesta and Escort-based vans combined reached just under 33,000 units, despite a two-week strike and other intermittent disruption at the beginning of the year.

With total small van production of about 75,000 units - apart from the UK Ford builds such vans in West Germany and Spain - Ford is set to receive further impetus in the sector from the recent launch of the latest version of the P100.

This is a pick-up based on the Sierra saloon and produced in Portugal rather than was the case with its Cortina-based predecessor, in South Africa.

Ford has spent $12m on the new model. Some 5,000 units are to be produced this year, all intended to be sold in the UK, rising to 10,000-12,000 units next year when left-hand drive and diesel versions are added.

The situation surrounding General Motors' small van production in Europe is muddied by "double counting" - many of nearly 20,000 Opel Kadett vans showing up in West German production statistics also appear in those for the UK. This is because they are shipped to GM's Vauxhall/Bedford plant at Ellesmere Port for final assembly, using UK body pressings and which help the end result to qualify also as being "British."

LCV production in Europe (Selected models – 2.01-3.5 tonnes)

	1978	1980	1987
VW Type-2	164436	174245	114363
Ford Transit	79069	119601	130266
280/Ducato*	14127	20153	103962
Estafette/Trafic	22311	13638	58741

Note: *Incl. J5/C25/Talbot Express

Source: Automotive Industry Data

In latter form, they are sold in the UK as the Bedford Astra and Astramax vans, the car-derived vans business not forming part of the joint GM-Isuzu company to which GM transferred its Bedford medium vans business.

Meanwhile, a new export initiative in the car-derived vans sector has been launched by Rover Group, the currently UK state-owned concern which the UK Government provisionally is selling - subject to EC approval - to British Aerospace.

It announced a left-hand-drive model of its Maestro van at the Amsterdam Show in February as a precursor to the vehicle being launched in May in a number of Continental markets, notably France, Italy, Belgium, Spain, Portugal and the Netherlands.

The van, dubbed the 700 L, has as its main selling point the 2-litre Prima diesel engine which Rover developed jointly with Perkins, the diesel engines specialist.

It is one of the first small, high-speed diesels to have direct, rather than indirect, fuel injection - a feature claimed to offer 15 per cent better economy than conventional diesels.

John Griffiths

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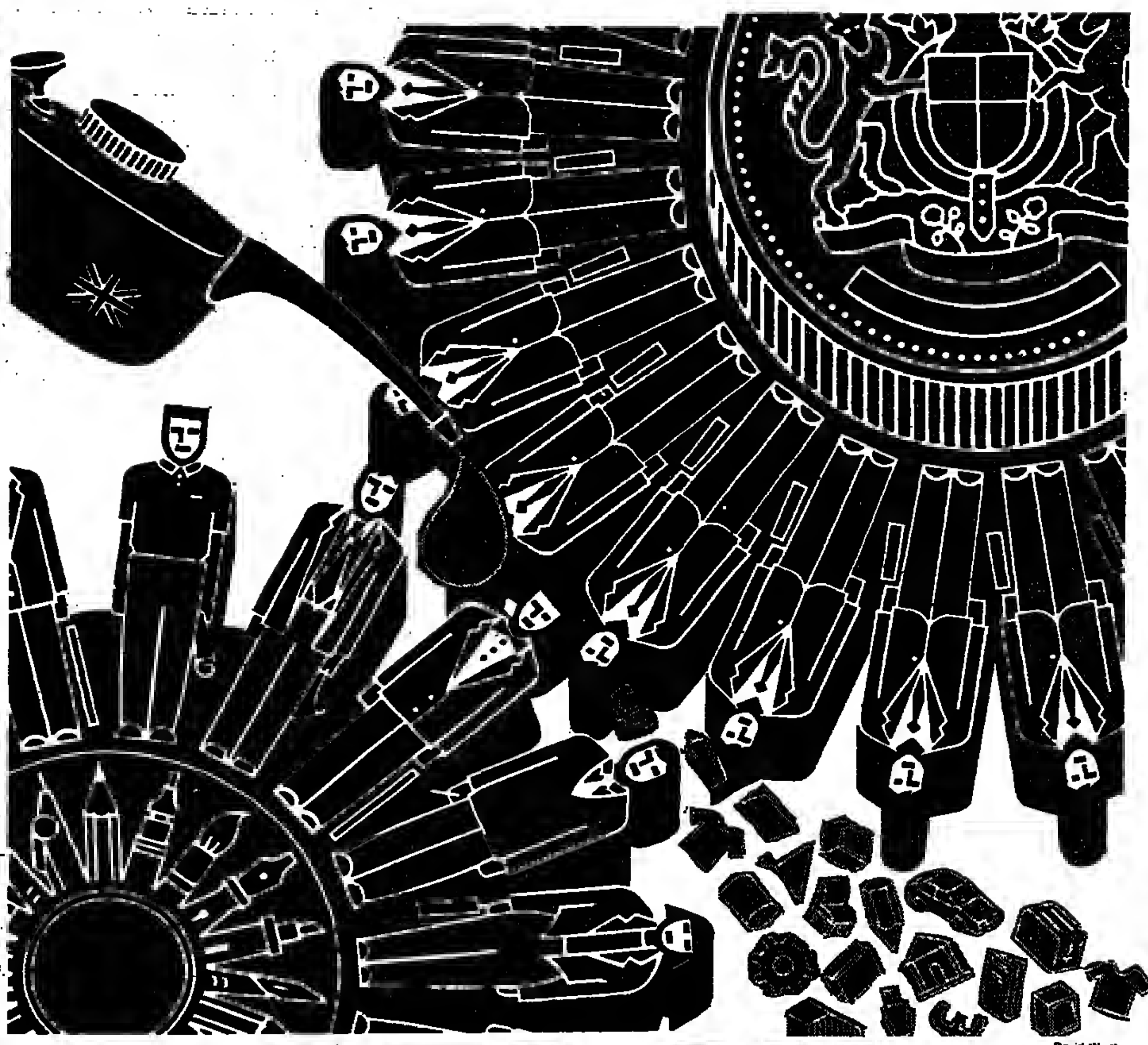
FINANCIAL TIMES SURVEY

The design business, with an average annual growth rate of over 30 per cent, is flourishing. Within industry, however, too few companies are acting on the message 'design or decline', writes Feona McEwan



David Worth

DESIGN
IN BRITISH INDUSTRY

Not just a pretty face

ON THE FACE of It, British design has never had it so good. Six years after the government launched its full-scale design initiative to persuade British business of design's commercial clout, and the City began to take design seriously, the design industry is flourishing.

Now, for the first time, the industry has been quantified. A recent Design Council report by Beryl McAlhone estimated the UK design industry was worth £1.7bn in 1987, showing a growth rate of over 30 per cent each year over the last five years.

According to an admirably exhaustive report from James Capel on the design consultancy market place*, this level of expenditure puts design in the middle ranking of the five key marketing services. It comes after sales promotion, valued at around £6bn and advertising at £5.7bn. Market research and public relations follow on behind.

So, somewhere along the line, British industry would appear to be getting the message. Yet the truth is that not enough companies have grasped the commercial value of this neglected marketing weapon. And that applies as much to financial and service companies as to manufacturing industries.

A recent report from the National Economic Development Council** concluded after surveying a wide range of British manufacturing companies that the message, design or decline, has yet to sink in. According to its author James Fairhead, a teacher and design consultant, design continues to be ranked well below marketing, production and finance, and is regarded as a cost rather than a source of added value.

Rodney Fitch of Fitch & Co, has reported that only about 10 per cent of UK companies use design consultancies and fewer than 20 per cent have an in-house design facility.

The Confederation of British Industry, recognising the persuasive work to be done, has in the last year been rallying to the cause and injecting a strong design theme into its industry conferences and seminars. Response has been mixed. At a national conference in Glasgow, for example, the design and innovation session was poorly attended.

Government has continued to endorse the design message. Since 1982 when Mrs Thatcher held her first design seminar at Downing Street, some £27m has been channelled into incentive schemes aimed at marrying industry and design. More than 5,000 companies have passed through the funded Support for Design Scheme run by the Design Council. Out of it have come many success stories: British audio equipment has been enabled to compete vigorously against its Japanese counterparts; there has been business and employment expansion in the clothing and footwear sectors; and there have been massive cost reductions across a wide range of industrial and consumer products.

An important theme pursued by Mr John Butcher, under-secretary at the Department of Trade and tireless campaigner for the cause, is design management. Design awareness is the first step but effective implementation is obviously crucial. "Good design must be managed effectively and that starts with commitment from the top," says Butcher. Yet the design manager inside British industry is still a rare species, though retailers still lead the way here with companies like Asda, Marks & Spencer, WH Smith and Debenhams.

When Nedo examined best design practice across some of the world's top manufacturing companies in 1986, some distinct lessons emerged.

One distinguishing feature among winning companies was an integrated approach to design: some sceptics see design merely as making things look good, instead of integrating it with financial, production and marketing considerations.

In structure, the companies were relatively unhierarchical. Instead of being organised linear-fashion, with people operating in isolated cells, they worked in multi-disciplinary teams with the designer a vital member 'alongside the engineer, financier, and production specialist – thus overcoming the barriers to communication.

What was clear in all successful companies was a persistent concern about their customers and their products, which made them constantly listen, ask, compare and learn from customers and competitors. Market research was a vital first step towards a successfully designed product, yet in the British companies Nedo looked at, research was woefully inadequate. Another point to emerge was that superiority of product, rather than keenness of price, was behind the companies' success.

Further lessons to be learned concerned close liaison between the design team and top management. At Sony, for instance, six top executives visit the new product department every month. At Canon and Honda, the board reviews every product development every month. Ford of Europe has a team evaluating every one of its products against those of its competitors. But when Nedo asked British companies whether they did comparative analysis, the answer in the main was no.

It is not surprising that the first companies to sponsor the new Design Museum being planned in south-east London include names like Ford, Sony, Perrier, Olivetti and Otis – though one of them, Courtaulds, is British. Funded largely by the Conran Foundation, the new 40,000sq ft museum, which opens in the summer of 1989, aims to act as a catalyst between industry and design.

One British company attempting to do something positive about British industry's apathy towards designers is Gordon Russell, the leading office furniture company. Chairman Chester Wedgwood has committed £250,000 over three years to a promotion of graduate designers in interior design fields. The climax is an exhibition which, it is claimed, will be the largest show of graduate design talent in the UK. It is open July 7-10 at the Business Design Centre in Islington, north London, where the work of around 40 designers will be on view.

The authors of the Capel report, Neil Blackley and Richard Dale, spell out a number of significant events that signal an industry that is maturing.

These include the formation of the Design Business Group in 1987 which now includes 250 consultancies: the launch of the Financial Times/London Business School Design Management Award Scheme (see the Management page in today's newspaper): the new BBC Design Awards: and the launch of DesignWeek, the industry's first speciality weekly news magazine.

Design is now a desirable acquisition. This year has seen a wave of activity on the international scene with a number of British-owned groups establishing bridgeheads into overseas markets. WPP, WCRS, Fitch, Michael Peters, and Addison Consultancy, have all taken over US design firms in the last year

The reverse traffic is also happening, with San Francisco Landor, now well rooted in London and Siegel and Gale, the New York-based Saatchi acquisition, newly arrived in the British capital. The future looks rosy enough for the design industry with design services continuing to grow at a rapid rate, design previously handled in-house being increasingly farmed out and fast development of international work based on the excellent creative reputation of British designers.

As Blackley and Dale put it, "all-in-all, UK design consultancy has an opportunity over the next five years to develop size, comprehensiveness of service and management of infrastructure on an international basis, without losing the creative verve for which its services are currently so sought-after."

**Available from James Capel, 6 Bevis Marks, London EC3A 7JQ, £75)*

***Available from the Council at Millbank, London, SW1, £12.50*

Consultancies

A gulf begins to open up

BRITISH DESIGN consultancies have achieved unprecedented levels of growth and profitability over the past year despite a chorus of dissatisfaction from clients and analysts over their insufficient management and financial controls.

This, of course, is a paradox, but then the expanding, enigmatic UK design industry does tend to specialise in paradoxes. Where else would you find such a schizophrenic mix of creative and business services on offer, and expect art school graduates to play the part of entrepreneurs with such assurance ?

Unlike other service sectors, most design consultancies are owned by the people who run them. And the people who run them are usually the original founders. This means there are a lot of small firms in a large, diverse industry spread across graphic, corporate, environmental and product design: more than 2,000 according to a recent Design Council report, which estimated UK design consultancy to be worth £1.7bn in 1987.

The usual term is cottage industry, but there have been signs over the last 12 months that the cottagers are about to be turfed out by the communications experts who care less for

Continued on page 6

DESIGN IN BRITISH INDUSTRY 2

The winds of change are blowing briskly around Haymarket

Designs on Design Council

THE DESIGN Council is experiencing its greatest transformation since it was set up by the government in 1944 with the far-sighted intention of making British products internationally sought after in the post-War world. *In the ensuing decades the* Council seemed to lose its way, being best known for its shop, at the Design Centre just off Piccadilly Circus, and for the ubiquitous British products that gained its little triangle of design approval. Its impact on the decision makers who determined British design seemed to be waning.

In February Mr Ivor Owen, a top rank director with Thorn-EMI, was brought in to bead the Council. He was given a free hand to make what were generally considered to be much needed changes. He is still preparing his long-term strategy, which will be announced in the autumn, but already the winds of change are blowing briskly around 28, Haymarket.

Mr Owen believes that tha Design Council has become too beguiled *with catering for* the consumer, which is secondary to its main functions which are to improve design in British industry and to educate the public at large, but in particular businessmen, in the importance of design. A third objective is supporting and encouraging the design industry. Salling beautifully packaged marmalade in its shops is not now regarded as of prime importance.

So the Design Centre shops in Scotland and Wales have beeu closed and a question mark hangs over the retail outlet in Haymarket. Time could ease its passing, for in a very few years tha Design Conncil'a laase expires on its prestigious central location and in the hunt for new premises the establishment of a shop may uot be regarded as vital.

But for the moment the London shop survives. What has gone is the Design Centre selection of products for its seal of approval. This has caused an outcry from many small companies that believe they owe their survival to the selling power of the yellow triangle. But to practice only a third of successful prodncts carried the design award, and Mr Owen believed that it was expensive to administer and had outlived its usefulness. To date, through these economies, he has reduced staff at the Council by 15 per cent, to around 280. It would be naive to believe thet the slimming down will not continue.

For Mr Owen believes that money is not the solntion to all problems. The Design Council gets a £6m annual grant from the government, around a third of its turnover. Most of the rest of its £20m revenue in 1987 came from Department of Trade and Industry *payments for its services* to industry, with a quarter being earned income from the shop, publishing, courses, and so on. In the future the DTI work is likely to decline, but Mr Owen is convinced that a slimmed-down Design Council wlth clearer objectives, and with a greater *commitment* to *earning* more of its revenne internally, can play a more effective role in British industry.

What comes across quite clearly is that the British element in the Council's work is being re-assessed. Why promote designs just because they are British? The Council might be doing a more valuable job showing off foreign imported goods that have sncceeded well in the UK and thus alerting British industry to the design appeal of the competition.

There is a big commitment to using the Haymarket shop window for exhibitions and for developing further successful new ventures, like the Innovation Centre, currently given over to a display of some of the new industrial products created in Wales, and the Materials Information Centre, which both attract regular visitors and should attract even more businessmen. Here are areas of expansion which could eat up the space currently given over to retailing.

Mr Owen also wants to involve the Design Council more actively in publishing. A separate profit making company has been established to exploit this field and the *busy book shop in the Haymarket* may well be replicated in provincial centres. For design is a great growth area, and the Design Council wants to be more of a fount of information for students and practitioners.

Not all the changes at the Council are directed towards Thatcherite, "stand on your own feet", commercial principles. There is a big commitment to education, with more enthusiasm for The Big Paper, a termly newspaper, sponsored by WH Smith, aimed at primary school-age children. It has achieved a circulation of 10,000 since its launch last autumn. For students and teachers at the secondary level there is Designing which, in its latest issue, previews the major engineering design exhibition which opens at Haymarket on July 6.

This is the way the Design Council is going. More exhibitions aimed directly at industry; *more conferences;* more educational seminars; more publications; closer ties with schools and colleges; more pinpointed promotions for, and marketing of, the design message, with the overriding aim of making design more important to industry. A business development manager has been *appointed to investigate the* money-making opportunities.

At the moment the Council is still completing its strategy. Should it major on 1992 and the disappearance of European trade barriers; is the training of engineers the vital issue; is management the key to it all, and how do yon tackle the management of design ? In a way the actual products matter less – more and more of them are actually produced abroad, anyway. Certainly the role of the Design Centre will be put more firmly in perspective – it accounts for only 15 per cent of the Council's work, but has become a tail that wags the dog.

The new Design Council will be a smaller organisation, but better focused, and ideally more influential. At the moment it is full of good intentions: before it can list any new achievements it may well pass through some scarring battles.

Antony Thorncroft

Case study: Selmar Turbo car battery charger

Production is transformed

Funded design support was provided until early this year through the Design Council's Support for Design scheme. Now it is offered directly by the Department of Trade and Industry under its Enterprise Initiative, with the Council acting as contractor. *Here, and opposite, Michael Strutt* shows what two companies achieved using funded consultancy.

THE SELMAR Turbo car battery charger is a textbook story of how a product that has been around for years can be radically improved by skilful redesign – and change the fortunes of the company that makes it.

Until barely three years ago, Stellar Components, based in Maldon, Essex, produced metal-cased battery chargers that differed little from those of the other 10 or 12 UK manufacturers, says Mr Trevor Spero, the sales director.

Selmar suffered the same problems as the others: the chargers were expensive to produce because a lot of different parts had to be bought in, the cases painted or coated, and they were awkward and time-consuming to assemble.

They were also prone to damage if dropped, making them potentially electrically unsafe and leading to a high rate of returns. And packaging them as own-brand items in cardboard boxes – specially-printed for each of dozens of customers – was "an expensive nightmare".

Now the Turbo range, designed by consultant David Harman-Powell under the Design Council's Support for Design scheme, is a "blatantly successful" product, Mr Spero says.

'Selmar were very good to work with; you need a willing management'

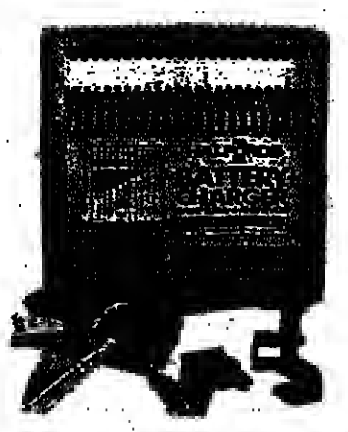
"It has been absolutely superb. The Turbo has heavily penetrated the European market and within a month we are opening a specially-built factory in Ontario, with a Canadian partner and backing from the Canadian government, to produce for both Canada and the United States."

Mr Harman-Powell, a specialist in plastics, was given a six-part brief. It called for a design which was attractive, robust, easy to assemble, would meet the new European standards, could be easily adapted for own-brand production, and become a range of chargers from 4 amp to 12 amp.

Rival makes from all over Europe were taken apart to define the problems as closely as possible. The first Turbo was in production only 18 weeks after the *initial design brief was given.*

He says: "The hardest part was to produce something which had the required strength and a good flow of ventilation, while being easy to assemble. The idea of a fixed handle came in very early and helped to convey that the Turbo was a rugged, portable component.

"Selmar were very good to work with; you need a willing management. For instance, they found an employee who was able to make a very good model on the spot instead of my having to wait for a modelmaker to produce one – and that was what was taken round to show customers."



The own-label problem has been completely licked, too

Mr Harman-Powell came up with a ribbed case in ABS plastic that requires only six screws to hold the two halves and the components inside in place. The rectifier, switchgear and heavy transformer all fit between separate ribs moulded inside the case, and the ammeter is a simple push fit on to the front. Connecting wires are a push-fit, too.

The internal ribs act as shock absorbers as well as accurately positioning the components, so that nothing can loosen or break free if the charger is dropped. The European standard for 1992 specifies that chargers must be *able to survive a 1 metre fall.* The outside ribs neatly do more than double duty since they are a design feature and also camouflage the ventilation slits.

On the production line 80 people assemble the uew chargers in about six minutes, against 30 minutes each for the old models. Where they made 100,000 chargers a year five years ago, the same number of workers are now making five times as many – without the fiddle of doing up tiny nuts and bolts in awkward corners.

The own-label problem has been completely licked, too. Any design of stick-on label can be put on the front of the charger, and seen through the tough protective bubble pack in which it is sealed for delivery and display.

Stellar's production has been completely transformed. The company moulds the cases itself, in any colour required, in its own injection-moulding machines. All the other components are now made in-house to its own designs.

More to the point, Stellar is selling every charger it can make, producing about 500,000 a year and exporting about 80 per cent, Trevor Spero says. "We are working practically round the clock." Market penetration has been considerable. "In Scandinavia we have about half the market, selling about 50-60,000 units a year. In France, we have about 30 per cent with 60,000 units."

Germany has yet to yield but *the company* already supplies Robert Bosch and this business is expected to expand. At home, Halfords is a major own-brand customer and the number of UK charger makers is now down to three or four because no other company can produce as cheaply, he says.

"*The design* enables us to do own-brand runs very easily at reasonable cost, even in low volume. The charger scores from both the cost and assembly point of view and shows that the market comes from the product. That's why we are enthusiastic about design."

DESIGN IN BRITISH INDUSTRY 3

Case study: Wilson's of Holyhead

Seafood boxed clever

THE POWER of packaging to establish a product in the market can be no more clearly illustrated than by Wilson's of Holyhead's venture into retailing seafood in the UK. And it shows that success created by effective packaging itself can raise unexpected problems.

Wilson's, a fishing and shellfish wholesaling company with its own fleet at Holyhead and Aberdeen, is among Europe's largest distributors of crabs, lobsters, scallops, scampi and other shellfish to the wholesale and catering trade.

The decision to go retail, in 1982, was closely linked with a crab processing plant the company set up in the Hebrides with funding from the Highland and Islands Development Board.

Through the Design Council, Wilson's went to consultants Michael Peters and Partners who looked for ways of creating a market presence and competitive edge.

The design objectives worked out were to build a strong, upmarket image for the range of six lines which included crabmeat, peeled prawns and queen scallops (scallops without their shell); build the company image in the retail market; and create a brand with an image of quality and reliability.

The box packaging was designed to create an elegant, highly individual identity. For maximum visual appeal, each product was photographed – in Sunday supplement style – with slices of lemon against a background of Welsh slate.

Ms Pamela Conway, Michael Peters group marketing director, says: "The most important thing for us was the positioning of the range in the market, because supplies were limited and we wanted to differentiate them clearly as a speciality seafood." The consultants also designed literature and the Wilson's stand at a German food fair when the range was launched.

Among Michael Peters' recommendations was a name change: Wilson's at that time was called JM and AJF Wilson (Shellfish Merchants). They became Wilson's of Holyhead, to create more impact in both the trade and retail sectors. "It established another point of difference," Ms Conway says.

The range was soon accepted by nearly all the major multiples as well as the frozen food specialist chains. "The timing seemed right," says Mr Andrew Wilson, managing director, "because Marks & Spencer were starting to sell shellfish and although we were competing with them, their selling it was making it more acceptable for us to."

Meanwhile, Wilson's was numbering Harrods among its customers. Mr Wilson acknowledges that the design work was effective and "wa got a very good result out of it though we found it more expensive than we envisaged. The products were well received and very successful."

What intervened, though was not the image, or finding a market, which the packaging achieved, but the difficulties of prospering in the retail market. "We hadn't anticipated the hassle involved in selling retail, which we found was totally different to wholesaling."

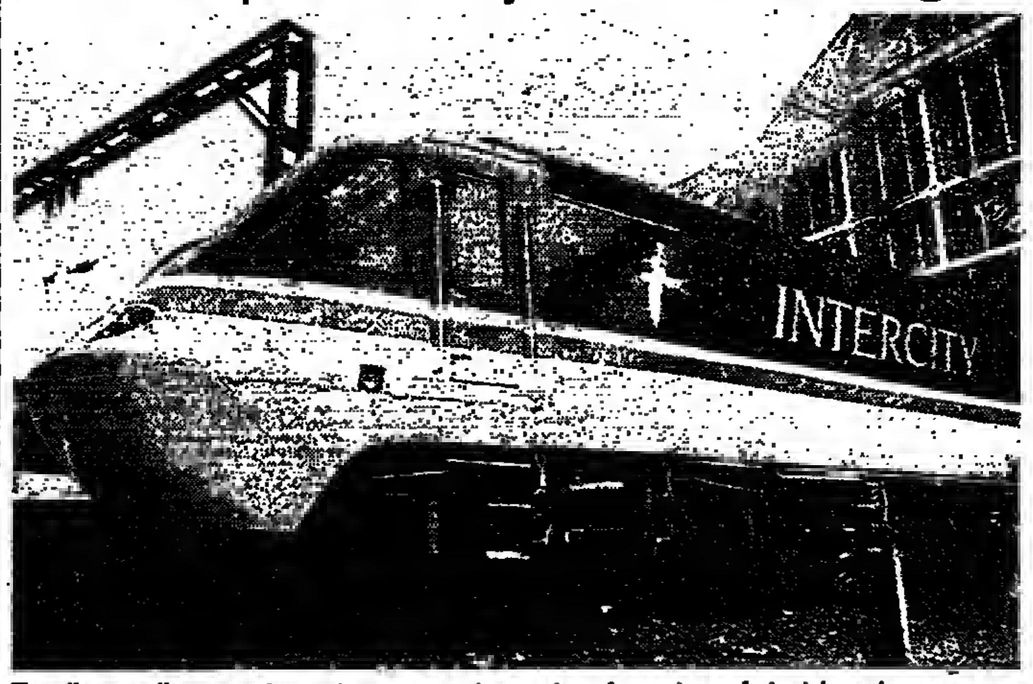
Wilson's appointed a retail distributor but had to find another to get the service they wanted. "We also found problems with the settlement terms from retailers, who wanted 45 or 90 days instead of the 30 in wholesaling.

"And we found ourselves dealing with the problems of individual retailers, and even complaints from individual customers, which made a lot of demands. The fact that we were already wholesaling fish didn't help us at all; it was a different business altogether. It probably went as well as it could but it just wasn't viable."

Accordingly, Wilson's pulled out in 1986 to carry on doing what they feel they do best, though with the knowledge that they had satisfied a lot of discerning eaters.

Michael Strutt

The corporate identity business is booming



The silver swallow was chosen to convey an impression of speed, comfort, style and reassurance

Signs of the times

"A CORPORATE identity," wrote David Bernstein, founder of The Creative Business agency, "is not something a company decides whether or not to have. It's got one whether it likes it – or plans it – or not. What it needs to do is to fashion it according to what it believes it stands for."

He added the warning note: "There's not much point in changing the signboard on a London Transport 73 bus to read 'Monte Carlo' if it still goes to Stoke Newington."

In the four years since Bernstein wrote Company Image & Reality, the corporate identity business has boomed. In Britain it has grown by 30 per cent over the past year, according to Neil Blackley and Richard Dale, analysts for London stockbroker, James Capel. They conclude: "There is enormous scope for further growth."

Blackley reports, in a review of the UK's design consultancies, that "corporate identity is currently the most international and also the most cerebral sector of the design market."

Brian Boylan, group managing director of the Wolff Olins identity and communications consultancy, estimates the annual fee income from the UK market this year may reach £75-100m. A study for Design Business Group by Pegram Walters Associates noted that corporate identity consultants had now acquired a higher status in many client companies than advertising agencies.

A DesignWeek client survey showed that 35 per cent were reviewing their corporate identity – a level of attention which should ensure a continuing strong demand, Blackley observes. Government departments, such as the Department of Trade and Industry, are seeking changes of identity to place them firmly in the Thatcher enterprise culture. Building societies, insurance companies, and other financial services are creating their own distinctive corporate images in an effort to give their products more appeal amid a mass of similar rival offerings.

Companies are revamping their identities for a host of other reasons: to reposition themselves in readiness for the unified European market of 1992; to reflect changes in their core business; to raise their profile in the marketplace; to bring cohesion to disparate operations.

John Sorrell, of design consultants, Newell and Sorrell, says: "A new corporate identity cannot be fashioned with a mere coat of paint and a different logo. It must reflect the way in which an organisation actually behaves. It must tell people who it is, what it does, and how it does it. It can be a very potent management weapon if it is used properly. You cannot use it to tell lies. You will be found out."

Sorrell illustrates some of his points in his company's recent corporate identity project for British Rail's InterCity service. InterCity wants to be seen as the most civilised way to travel – and to increase its revenue with a more competitive stance against cars, coaches and aircraft. It has changed dramatically since its inception in 1966, and intends to introduce further changes – new trains, redesigned carriages, and extra facilities.

Sorrell sought a symbol that would convey an impression of

> **'You cannot use a new corporate identity to tell lies. You will be found out'**

speed, comfort, style and reassurance. The emblem it finally chose was a silver swallow, which is now beginning to appear on everything from the trains to the cocktail sticks in the restaurant bars, heralding the advent of improved customer service.

Sorrell says: "The identity simply reflects the way BR is taking the service. The graphics provide a statement of intent to the travelling public and a rallying point for InterCity staff."

It is important to communicate what is happening to both the external audience of customers and the internal audience of employees, he emphasises. "Corporate identity can play a major part in helping organisations talk to their employees, to help them understand where the company is going, what it is trying to do, and what part they will play in it. It is like raising the flag on the battlefield, inspiring loyalty and motivation."

Many new corporate flags have been raised recently in the increasingly competitive field of financial services. Over the past year Wolff Olins, alone, has created new identities for Prudential Assurance and the Halifax building society. It has also developed a new brand identity, Meridian, for the Midland Bank's latest service – a personal investment management package – to add to its earlier Credo small business service, and Orchard home mortgages.

Brian Boylan, of Wolff Olins, says that the revolution in financial services over the past few years has helped significantly in changing attitudes towards corporate identity.

"In the main, these were institutions which never thought about marketing," he says. "Each group offered its traditional services – mortgages, or insurance, or banking. Then suddenly they were having to offer all of them; and the key question for each organisation was how to put a distinctive stamp on its products when they were virtually the same as those of its competitors."

The visual changes wrought by these identity projects are increasingly evident in Britain's high streets. One of the results of the corporate identity boom has been to create another boom in the sign industry. Turnover has grown by 40 per cent in the past four years to some £150m.

The next wave of corporate identity business seems likely to be generated by the move towards a unified European market in 1992. Britain's corporate identity specialists are already in demand throughout Europe. Wolff Olins currently earns 40 per cent of its income outside the UK. Boylan says: "There is a growing awareness of the European market, and a developing European style."

Over the past eight months, Wolff Olins has completed corporate identity projects for two vastly different organisations each of which wanted to reposition itself in readiness for 1992.

The first was for the Irish insurance company, Church & General. It aims to give the company a distinctive position in the general insurance market, reinforce its presence in the high street, and underline its innovative character, says John Williamson, of Wolff Olins.

The second project has given a new identity to Repsol, the Spanish oil giant, as it prepares not only to defend its national market but to expand into the rest of Europe. "Here in Spain, people see identity as a political issue, not as a necessity of the market. They don't realise the importance of corporate image as a tool for sales," says Repsol's marketing director, Nemesio Fernandez-Cuesta.

Under the programme, 1,000 petrol stations, 5,000 vehicles, and ships, shops, packaging, signs, and uniforms will be branded with the new Repsol identity. "It involves an enormous amount of money, change, suffering, everything," says deputy marketing director, Pedro Moraleda. "But it will last at least 25 to 30 years. Our main task is to change a Spanish company into a European company, and with this identity we can develop throughout Europe."

Philip Rawstorne

DESIGN IN BRITISH INDUSTRY 4

Design management — a subject of strategic importance to most companies — makes particular demands

Passion and procedure

THE PAST three or four years have seen a significant change in the way business perceives design management.

Formerly an arcane research specialism carried out by academics, the subject now features regularly in the financial press; government-sponsored reports on design management are being published at an increasing rate; significant international research programmes have been started; a British Standard on design management is due to be published towards the end of the year; and the Financial Times and London Business School have launched a joint award scheme (this year's winners are featured on the Management page of today's newspaper).

The impetus for substantive action on design management dates back to Mrs Thatcher's Downing Street seminar in 1982. Initiatives taken after that meeting, such as the Support for Design programme, helped create a new generation of design-aware investors. Many of the companies which first invested seriously in design during the early 1980s are now involved with second or third-generation design programmes. Their managers now realise that running design projects poses unforeseen problems – hence the demand for assistance in design management.

Management education has responded to this demand. Over one-third of MBAs at the London Business School now take design as a business subject; and CNAA-developed design "modules" have been introduced at many polytechnics and universities. To this basic training has been added a new generation of research projects designed to provide industry with material.

One such in the US, the Triad Project, is sponsored jointly by Harvard Business School, but also involves an art school, the Carpenter Center of the Visual Arts, and the Design Management Institute, a non-profit organisation of corporate design professionals. An English academic, Dr John Heskett, manages the Triad project's research: findings will be published in the form of books, exhibitions and conferences from 1989 onwards.

In Britain, a British Standards Institution working party, chaired by the Design Council's head of engineering, Geoffrey Constable, intends to be practical about design management, too; the BSI recently published its Guide for Managing Product Design (BS7000) in draft form. "Most evidence on the subject in the past was anecdotal," says Constable. "Now people are telling us: 'stop beating about the bush on design management – tell us what to do'. That is our objective. We set down specific guidelines and codify procedures for top management."

The BSI document lists five "fundamental elements for the management of design": establishing objectives; planning; communicating; monitoring and controlling; and evaluating. The checklist suggests, in the words of one sceptical manager, that "managing design is like managing anything else". This was indeed the prevailing wisdom among policy makers during the early 1980s, but researchers now argue that managing design has unique features, which must be acknowledged. According to Peter Gorb at the London Business School, "design management *is* an idiosyncratic business – it's a passion as well as a procedure. Even in a big company such as Philips, senior men recognise that there is something special about design management – that there is set of transferable skills that can be learnt."

One such is the management of links with outside consultants. Few design consultants offer the management skills in depth needed to take the place of a design policy managed from within, even if that were desirable. After the dramatic growth in design consultancy of the 1980s, Britain now boasts large and experienced consultancies active in diverse design fields – but few provide the multi-disciplinary, "one-stop shopping" service offered by groups such as Saatchi and Saatchi, or WPP.

'Design affects more or less everything in a company, so it must be centrally led'

Wolff Olins chairman Wally Olins, for one, is adamant that companies must develop their own in-house design management skills. "Few companies have rules about design," he says, "or such rules as there are, are made up by individuals as they go along. But design affects more or less everything in a company, so it *must* be centrally led". *As an appropriate management* structure, Olins suggests a main board director, or "champion for design", backed up by the board, and supported by middle management implementation and project teams.

The argument that design must be "led from the top" has been subject to some modification in recent months. In line with a growing emphasis on "management by small steps, not big leaps," continuous training throughout a company's ranks is now recognised to be crucial to the success of design programmes, whether they involve a revamped corporate identity, or the launch of a new product.

According to Victor Herbert, who produces visual literacy courses for the middle managers of both retailing and manufacturing companies, "training is essential to the success of an implementation programme. Unless staff at all levels understand why a design has been introduced, and how it affects their day-to-day responsibilities, the chances are it won't succeed. Somewhere down the line a person will miss the point, and everyone's best intentions will come to nothing."

The increased emphasis on training in design management is echoed by James Fairhead, author of a recent NEDC report, Design For Corporate Culture. He argues that good product design "does not happen through project management manuals, 'audit committees' and the like; it's much too subtle a process for everything to be controlled in this way. Senior managers in successful companies manage the *fundamental assumptions* that underlie the way their people think and act." Fairhead concludes that "building a strong 'design culture' is the key task facing many senior managements".

One measure of the importance top managements' attach to design culture is the amount of funds they now consider appropriate for design programmes, which for many companies are no longer considered optional extras. The chairman of WH Smith, Simon Hornby, believes that "a policy of consistently good design almost certainly will cost more than if no attention is paid to design quality. But if the chairman wishes to get true commitment to good design throughout his organisation, he must admit to cost, and justify it. Failure to face up to the cost, and to be open about it, may well lead to the gradual erosion of support."

Further information; Guide to Managing Product Design, a draft for public comment. Available for £5 from BSI, 2 Park Street, London W1A 2BS. Design For Corporate Culture, available for £25 from National Economic Development Office, Millbank Tower, Millbank, London SW1P 4QX

John Thackara

Retail design

Advice now sought on music and haircuts

IS THE design revolution in Britain's high streets finally over? Now that even the most modest retail outlets have been revamped by design consultancies to create clones of the more successful store designs, the advantage gained by those stores which embraced design early on in the 1980s has been reduced.

In the next decade, therefore, will design once more be relegated to the back burner? No, argue both designers and experienced observers of the retail scene.

Rodney Fitch, chairman of Fitch & Company, one of the pioneers of store design in the UK, believes that the 1990s will increasingly see design playing its role in retail engineering. Already some retailers are turning to Fitch and others to help design stores that are more energy efficient, need reduced lighting levels, and can hold more stocks.

"As retailers' fixed costs rise, so they will come to see that the benefits that design can bring to stores are more than simply a new physical image," he says. "Design will more and more be seen as a fundamental resource, essential to the successful running of a retail business."

Richard Hyman, director of the Verdict research group which closely monitors retailers' performance, also believes that retailers will have to change their view of design in the years ahead. "It's no longer sufficient just to think that flashy design will woo customers," he says. "Design must be seen as an integral part of the marketing mix." By this he means that design must be used to communicate just who the store is trying to reach and what type of product is being sold.

A need for more effective use of design in the 1990s is emphasised by the fact that retailing is a relatively mature industry. Although consumers are spending record amounts in shops, according to the latest government figures, the proportion of discretionary income spent in shops is gradually declining. Instead, consumers are spending their money in other ways – on more foreign holidays, for example, and eating out. There has also been a boom in expenditure on financial services.

"A particular trend which we see emerging in retail design is, in fact, the increasing number of non-retail clients moving into the retail area and using design as a powerful and precise means of competitive differentiation," points out Anne Bacon, marketing director of Michael Peters Retail Design.

"For example, we have been working with British Airways on the creation of a new independent chain of leisure travel shops called 'Four Corners', the first of which will open this autumn."

The Halifax Building Society, moreover, has wholeheartedly embraced design to help it compete in the competitive market for savings and personal finance. The McColl Group is currently redesigning Halifax branches to create a more relaxing and informal environment. Greater attention, for example, is given to reception or information desk areas, while still providing informal consultancy areas for private discussions.

Retailing itself is changing, with significant long-term growth seen in non-shop shopping. The Next group's recent launch of a mail order catalogue aimed at a very different market than the traditional mail order customer emphasises that consumers are being wooed away from traditional shopping patterns. The growth of other home shopping developments, especially making use of home computers, is also likely to be a major factor in the 1990s retail environment.

'What were once errands can be turned into pleasurable visits'

What the 1980s retail revolution has achieved, moreover, is to make retailing an integral part of the leisure scene. "Design can help retailers create a powerful interface between shopping and leisure," points out Mr Fitch. "It can make the act of purchasing blend with eating, drinking, and being entertained – above all with staying on the premises. In this way, what once were errands can turn into pleasurable visits."

Nowhere is this more obvious than at the new MetroCentre outside Gateshead in the North of England. There, the US-style shopping mall has been complemented by MetroLand, a £11m theme park aimed at enticing the family into the shopping complex.

The issue of whether shopping in the 1990s will move further away from town centres – or whether the high street can make a come-back – is also a key factor in design trends. Out of town retailers have in the past seen the provision of car parks as more important than store design. Yet this is changing, with the edge-of-town Comet chain, for example, using design to help reposition itself from a discount retailer to a mainstream electrical stores group where service and quality is as important as price.

At the same time, traditional high streets are increasingly the location for specialised niche retail marketing and use design to differentiate their appeal. The Burton Group, for example, has segmented its market with Top Man, Top Shop, Principles, and the main Burton menswear operation.

"Good retail design in the 1990s will be a matter of course," believes Mr David Davies, chief executive of David Davies Associates, a leading retail design consultancy. "Retailers will have well-focused shops selling well-focused products or they won't exist," he adds.

But design in the 1990s will also extend to embracing other facets of a store environment. David Davies Associates, for example, recently created a new retail and graphic style for the Radius menswear chain, another closely-targeted chain owned by the Burton Group. But Radius also took advice on how its staff should have their hair cut and also on what sort of music it should play in its stores to attract its target customers.

But can design go too far in retailing? Verdict's Mr Hyman suggests that "in some cases, design can be embraced to excess and overpowers the merchandise on offer". He cites the Debenhams department stores which "many people are going to just to look at the 'galleria' design rather than buy the products which, after all, is the main objective of retailing."

DESIGN IN BRITISH INDUSTRY 5

PACKAGING DESIGNERS: WHO THEY ARE AND HOW THEY ARE RATED

CONSULTANCY AND START UP DATE	EMPLOYEES (Packaging only)	ANNUAL TURNOVER (packaging) (£m)	SIX LEADING CLIENTS (Alphabetically)	HOW THEY SEE THEMSELVES	HOW COMPETITORS SEE THEM
Allied International Designers 1959	15	0.75	CPC Benelux, Cuprinol, Droste London Rubber International Quaker, Wrangler	Integrated research and design capability that has not emasculated creativity	International force that has lost its way but attempting a come back under new management
Blackburn's 1986	9	0.85	Beecham, Brooke Bond Oxo, Harveys of Bristol, Trebor, Unilever, United Distillers	Packaging specialists working on major brands and new product development	Long established, solid producers of consistently good work, with strong reputation for drink packaging
Coley Porter Bell 1979	55*	2.6*	The Great Atlantic & Pacific Tea Co, Hutchison Whampoa, Lego System, London and Edinburgh Trust, Unilever, United Biscuits	Creative and strategic design consultancy specialising in creating and developing identities for companies and their products internationally	Good and workmanlike. Popular with own label retailers. Strong emphasis on marketing, 'safe' creativity
Landor Europe 1985	25	2.4	Colgate Palmolive, IDV, Nabisco, Nestle, Unilever United Distillers	Creating 'consumer effective' package design for worldwide clients based on intensive research and strategic analysis	Global mega-brand tweekers. Formidable competitors. Good at e formula look but not innately creative in highly innovative way. International sameness
Lewis Moberly 1984	26	1.36	Asda, Buxted, Eagle Star, ICI Paints, Johnson & Johnson, United Distillers	We aim to change the view that design consultancies are either creative or market based, as if they were mutually exclusive	One of the most creative packaging design consultancies in the UK. Young, can they sustain it. Creatively hot. Pioneering work in own label has prompted major branded companies to think again
Michael Peters and Partners 1970	55	6.5†	Arthur Bell Distillers, Coloroll, Pedigree Petfoods, Unilever, United Biscuits, Giorgio Armani (Italy)	The leading brand identity and packaging design consultancy in Europe. Innovators in the industry	Consistent creativity over a wide range of products for great number of years. Can it remain undimmed by expansion
Minale Tattersfield 1964	15	2.75†	BP Oil International, Harrods, Irish Distillers, San Pellegrino, Sammontana Spa, Tesco	We believe we can find the solution in problems rather then the standard answer - avoiding trends and fashions that date	Good ideas people. All rounders. High consistency for good work
Smith & Milton 1982	25	1.75	Batchelors Foods, Gillette, ICI Dulux, National Westminster Bank, Rowntree, Tesco	Our business is realising latent potential. Character building for brands and companies	One of tha best creative shops around. Intelligent and pretty design solutions, sometimes over-creative end weak on strategic input

* Includes corporate identity. † Estimate 1988

Have Euro-packaging, will travel

PACKAGING design, long regarded as the poor relation in the design industry, is fast coming into its own as the race for space on the shelves of Europe's supermarkets gathers pace.

The need for products to be able to cross national boundaries, while retaining a competitive edge, has never been more urgent and designers report an acceleration of demand for pack designs that will travel.

Packaging specialists report with glee that an increase in "1992 awareness" – the date when Europe ostensibly drops its trade barriers and becomes a single market – is focusing manufacturers' minds increasingly on pan-European marketing, of which packaging is a central feature.

Gillette, for instance, this year launched a range of personal care products, designed by Smith & Milton, into seven countries simultaneously using identical packaging. Johnson & Johnson likewise introduced a new female hygiene product, designed by Lewis Moberly, into prime European markets using a uniform but distinctive pack design.

At home, branded manufacturers are using design to help fight back against the own-label sector, which has been the pacesetter for years in innovative packaging. Multiple retailers such as Asda, Boots, Sainsbury, Marks & Spencer and WH Smith have long understood the power of appealing packaging design.

The table above spotlights some of the leading specialist players in the packaging field, but we emphasise that it is not a definitive list. Other names to look out for include: David Davies, Ian Logan, Design Bridge, John Brimacombe, Kite and Co, Tayburn, Design House, Design in Action, Klaus Wuttke, Holmes & Marchant. For those wanting a more clinical approach there is Siebert Head and the low-profile but successful research-based company, Claessens International – their strong suit is fine-tuning packaging and labelling designs for overseas markets.

Consultancies have been selected for their reputation for innovative design, quality of work, and experience across a wide field.

Feona McEwan

Engineering design

Serious training gap

THE DESIGN Council has launched a £500,000 campaign to persuade British industry of the importance of engineers in the design of products.

This is the biggest and most ambitious attempt by the council to reverse the shortage of properly trained engineering designers in UK industry. The Council points out that Japan has two-and-a-half times as many engineering graduates as the UK, and there are serious shortcomings with the current training of engineers in Britain.

Pay rates for engineers in the UK are poor compared with other countries. Few British companies elevate engineering designers to their boards. There is little off the job training for any employees, let alone engineers, the Design Council says. Toshiba, by contrast, insists that all its employees get off the job training.

One conseqnence is that the best Britisb design engineers, says the Design Council, leave the UK to work, for example, in the US.

The Design Council is blunt in its appraisal of the problem. "We are now on the verge of a crisis. Too few people recognise the key role of engineering design." One conseqnence is that "the competitiveness of Britisb industry is being threatened by a lack of understanding of the key role of engineering design," the Council said at the start of the campaign in May.

These threats have led the Design Conncil to launch the campaign to promote a better understanding of what engineers can do for design. The Council hopes its efforts, in partnership with selected British engineering and design companies, will encourage more young people to become engineers working in design.

The £500,000 campaign is to last two years. Industry is to contribute £100,000 of the total for each year through its sponsorship of the travelling exhibition and publicity material for schools and industry. The Design Council is to contribute £150,000 each year.

The first event in the campaign is an exhibition which will open at the London Design Centre for eight weeks from July 6. The title of the exhibition, "Creating a World that Works", appears to have been chosen with deliberate ambiguity to get across the idea that the business of making products creates jobs ("the world that works"), and also the idea that the world works, in the sense of operates, only because people have designed it.

Mr Ivor Owen, the director of the Design Conncil said in explaining the reasons for the campaign that "Britisb manufacturers can only succeed if the products they make are at least as good as those of our overseas competitors." He said designers had a crucial role in ensuring that products meet tba constantly increasing demands of customers for improved performance, better reliability, and reduced manufacturing costs".

Mr Owen said the Design Council's campaign aimed to create a climate in which the nation and industry recognised the key role of engineering designers and gave them the status and rewards they deserve.

Few companies elevate engineering designers to their boards

The exhibition is to tour the country. It will be at the Glasgow Design Centre from September 26 to November 5 and at the Bradford Industrial Museum from November 19 to January. It is expected to be shown in Belfast early next year.

Examples of engineering designers' work, to show the opportunities for job satisfaction and the breadth of the work, are included to help persuade students and their parents that a career in engineering design is challenging and worthwhile.

Studies of outstanding engineering design achievements will also be on sbow, includiug a coastal defence system, designed by Liverpool University and the Metropolitan Borough of Wirral, to prevent a beach being washed away. Yard, the Glasgow ship design consultancy, in partnership with CAP Scientific, is showing its concept study for a frigate that could be operated with only 60 people, compared with 200 for a conventional frigate.

Last month the Design Council published the results of a study by the Coopers & Lybrand consultancy into the training needs of enginaering designers. The Report, called "Fit to design", was commissioned by the Council with support from the Department of Trade and Industry to review the initial and updating training of engineering designers in the UK. The review covered mechanical and electrical engineers.

Coopers & Lybrand says in the report: "It is now generally accepted thst poor design has heen an important factor in weakening the UK's manufacturing performance." The consultants said there were signs that companies had become aware of the importance of good design. "But all too often, this increased awareness has not flowed through into active measures to improve design performance".

The report helped to clarify an area of possible misunderstanding over what was meant by design, the tendency being for some people to think of design solely in terms of aesthetics, whereas engineering design was an equally important part of the design process.

"Engineering designers have a vital role in considering the technical aspects of design, such as constructional aspects, materials selection and manufacturing requirements", the report said.

Coopers & Lyhrand said the "most important and worrying finding of our survey was the extent of the gap which exists between the training which engineering designers need and what they actually receive".

Engineering employers and engineering designers estimated that the average engineering designer needed some 13 days for off the job training each year. This contrasted with the five days the sverage engineering designer actually received each year for this training.

"The size of this training gap should be worrying to anyone with an interest in the profitability and competitiveness of UK manufacturing industry," Coopers & Lyhrand said.

"Looked at year on year, it is the growing size of the cumulative training gap which poses the greatest threat," the consultants said. "Unless positive steps are taken to close the gap, it is difficult to escape the conclusion that UK manufacturing companies will fall further and further behind in the design field, with all the consequences for national competitiveness and wealth creation that implies".

Lynton McLain

Consultancy gulf opens up

Continued from page 1

Gill and Gropius and more about establishing global networks.

Polarisation in British design is underway with a a gulf slowly opening up between a handful of large multi-disciplinary super-groups committed to servicing the world's largest companies on a global scale and a mass of small, specialist consultants tapping predominantly local business.

Who are the super-groups? They divide into two categories. In one corner are the advertising and marketing communications giants who have been building up design networks, mainly through acquisition: WPP, Saatchi, WCRS, Addison Consultancy.

In the other corner are the core design businesses which have grown dramatically and, by and large, organically: Michael Peters, Fitch & Co, Landor, Wolff Olins, Minale Tattersfield, Pentagram.

But the scene is further complicated by the attention certain sectors of design such as office and retail interiors are being shown by the big-league architectural practices such as Building Design Partnership, YRM, The Company of Designers and Auckett.

So the scene is now set for a three-way fight - or three-ringed circus, depending on how you look at. And since so many of the participants are publicly quoted companies, analysts are having a field day quoting the odds against someone, somewhere, sometime achieving a meaningful share of the market.

It is well known in design circles that of the £6bn world market for design and architectural services, no single player holds more than 1 per cent. According to stockbroker James Capel, even *Martin Sorrell's mighty WPP* – which made news headlines in UK design this year with its £32.5m acquisition of retail specialist McColl – handles only two per cent of the UK design market.

Nobody doubts the resolve of the communications groups to build business. After all, that it what they are there for – and they will suffer from none of the qualms about size sacrificing creativity that conventional design firms are vulnerable to feeling.

Nobody doubts either the desperation of the architectural giants to broaden their base when retail, leisure and refurbishment schemes are rife but new buildings are not.

But the core design businesses could still confound everyone on an international scale. Wolff Olins and Landor are fast establishing themselves as brand names and marketing themselves as such. Michael Peters and Fitch have both made more than useful *acquisitions in the US to add to* already considerable strengths in the UK.

Peters bought US architects and retail designers Hambrecht Terrell International and Anglo-German conference specialist Spectrum Communications in a spectacular £7.7m double deal earlier this year to consolidate its position in Europe and drive into the US.

Fitch acquired US product design thoroughbred Richardson-Smith for £10.5m last month and is changing its name to Fitch-RS to indicate its desire to compete hard in world markets for product development. And of course it will also use its new US partner to introduce its retail expertise to American shopping malls.

But while the big boys of British design make inroads into Europe, America and the Far East – showing an unsuspected gift for strategic business development that would have been unthinkable just five years ago – the truth is that the boom in British design is not just restricted to a handful of firms.

The scene is now set for a three-way fight — or a three-ringed circus

According to a survey in DesignWeek magazine, fee income earned by Britain's 100 largest design groups grew by 50 per cent last year to £300m. The number of qualified designers also increased substantially – by 37 per cent to 6,000 designers.

Analysing the figures, management consultant Jonathan Lucas of Gray Lucas remarked: "in other business sectors the market leader might achieve 50 per cent growth – for the top 100 firms in the sector to achieve this is incredible. Truly the design business boomed in 1986-7."

In fact large, medium and tiny design groups have all shared in this design boom, which has been caused by six major factors.

First, there has been an expansion of the client base in Britain, especially in services. The Kodaks, Olivettis and IBMs of this world, which once were the prime patrons of design consultancy, have now been joined by trade unions, public schools, theme park owners and all manner of new design users. Retail and packaging have proved particularly fruitful areas for commissions.

Second, overseas commissions have multiplied. According to the Design Council, no less than 73 per cent of all consultancies have done some work abroad since 1982.

Third, the government's *Design Council-administered Support* For Design funded consultancy scheme has pushed a lot of projects from British industry into the lap of designers (the design community is now less happy with new arrangements to fund consultancy through the DTI's Enterprise Initiative programme, which has slowed the flood of jobs to a trickle).

Fourth, design groups have diversified into lucrative non-design activities such as management consultancy, naming and branding, market research and copywriting. Fitch's teleshopping research project with Coopers & Lybrand is an example of this trend.

Fifth, the introduction of computers into the design process has boosted productivity.

And sixth, more business-like attitudes by the consultancies in the face of fiercer competition have led to greater efficiency and improved profit levels (the fledgling Design Business Group, the first ever trade association for design consultancies, has already made its mark with a Code of Conduct which outlaws speculative pitching for new business – a *practice* which has led to the financial collapse of more than one consultancy).

As a result of the design boom, salaries and working conditions within the consultancies have become so attractive that there has been a large influx of people from advertising, marketing and industry into the sector. And they are bringing with them strategic business, communications and client liaison skills that will give design groups a better management profile in the long run.

For example, former Burton Group retail and marketing development director Alan Taylor has just been head-hunted to become marketing director of Crighton design group. Explains Crighton chief executive Stephen Walsh: "Competition is now so intense that relationships are crucial. To reach the top people in retail we need people like Alan Taylor. Winning design business is all about knowing the client's business."

Or take Tim Greenhill who 18 months ago was sales and marketing director of BMW. He is now a partner in design firm Basten Greenhill Andrews which has grown from 18 to 50 people and doubled fee income from £500,000 to £1m-plus in a year. That kind of story is being repeated right across the design industry.

Future prospects for British design are excellent. If it was all down to commissions from British manufacturers, the industry *would* shrivel up and die tomorrow. But it isn't: the scene is now increasingly international and service-oriented and consultancies are waking up fast to the issues of marketing, staff training and financial control.

As Beryl McAlhone, author of two Design Council reports on the way consultancies are developing, suggests, "it is much more Thatcherite than the art school connection might imply – entrepreneurial, *offering* high rewards to high achievers, lean in operation, living comfortably with change." In short, an exciting foundation to build on in the 1990s.

Jeremy Myerson

Editor of DesignWeek magazine

Architects

A blurring of rival roles

THE DEREGULATION of the City has spawned hundreds of thousands of square feet of computerised and air-conditioned offices and corporate headquarters east of Trafalagar Square, at Broadgate, London Bridge City, Canary Wharf and now King's Cross. London, a conservation backwater for architects from the late seventies up until the mid-1980s, has become a magnet drawing the biggest, best-equipped and most dynamic American practices.

With decades of experience of building big and fast, practices such as Skidmore Owings and Merill offer clients a comprehensive design package. From planning, engineering, architecture, decor and furniture, SOM is completely in control even if work has to be farmed out to other design professionals.

The arrival of the Americans has clearly worried the domestic architectural profession which has still to learn how to provide a comparable service. But British architects need time to adjust. After the economic collapse of 1973-74 British practices were forced to move away from the design of major new buildings and focus inwards. As space planners and interior designers architects were now treading on the toes of design practices which had set up shop to meet this architectural shortfall.

Fifteen years later architects are designing buildings again, but there has been a blurring of the roles of the rival professions. Rodney Fitch, chairman of Fitch Bennoy, believes that the scale of a building project determines who gets the work. That and the level of specialisation required. "We are not getting work in Canary Wharf or Broadgate. It doesn't worry us. We're involved elsewhere in Docklands working on complex retail schemes. We wouldn't expect architects to have the expertise we have in this field."

Yet, given the scale and complexity of the new wave of town centre shopping malls and redevelopments, Fitch teamed up with the architect Gordon Bennoy last September. He now has about 80 architects on his payroll out of a total of 500 designers and support staff.

But before pairing off with Bennoy, was Fitch ever asked by a client to act as architect and design consultant? "Perhaps half a dozen times, no more. I think people come to us for our specialisation. *That's how design practices* grew strong. Far too many architects believe they can design anything. It's a syndrome nurtured by their training. Designers are also less precious about their work. Commercial buildings must be flexible, capable of changing with new market conditions. Architects get on a high-horse when anyone touches their precious buildings, even if the interiors are redundant."

Few architects have the luck, skill or character – it is difficult to know quite what it takes - to win such monumental projects as the design of the new Lloyds building or the shimmering Hong Kong and Shanghai Bank. In both cases the architects have had a free hand and designed the buildings down to the last detail. As monuments to the corporate ego such buildings have traditionally been designed to last and are not subject to *exhaustive* change. Nevertheless, Rodney Fitch has been called in to remodel the interior of Lloyds which, though inspiring as a sculptural abstract on the City skyline, has not won the affection of those who work in it.

Although there are several British architectural practices – Building Design Partnership, Yorke Rosenberg and Mardell, Arup Associates among them – which run on multi-disciplinary lines, most work with design practices on complex retail or leisure complexes.

The Royal Institute of British Architects, however, feels that the profession needs to claim back territory lost to other design and building disciplines. American architects have stolen a march in the City, design practices like Fitch & Co are asked to *move in where architects have* failed to tread (Terminal Four at Heathrow Airport, for example), while the profession has even *lost out on what should be its* surest ground: the design of public buildings.

When the Senate of Cambridge University expressed its preference for a design-build contractor for its new science laboratories last year, rejecting in the process designs by the distinguished architects Colquhoun and Miller, the RIBA had real cause for concern. In 1987 the architectural market was valued at £1.7bn. Growing at around 20 per cent a year, the design and build business was identical in value.

At the end of June the RIBA published a marketing report, Market Opportunities for Architects, which set out the need for architects to offer a service that would go beyond conventional building design. The report stressed that architects can and should act as developers, designers and builders. They should encourage *clients to believe* that they can design a complete environment for a client right down to the choice of "carrier bags and uniforms".

Meanwhile the Cities of London and Westminster Society of Architects is launching a £1.2m advertising campaign in September. The image of the new architect is being shaped by the advertising agency Collet Dickinson Pearce. Architects are being asked to pay for the campaign out of their own pockets: £200 from an individual and up to £3,000 for a practice of 50 people.

Unlike Rodney Fitch who believes that specialisation is the key to success in the 1990s, the architects are maintaining their time-honoured belief in their ability to tackle anything. In the end it seems likely that the merging of architectural and design talent will be *necessary* to halt the tide of work flowing overseas – even if professional pride must be hurt in the process.

Jonathan Glancey

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday July 6 1988

Ryobi to pay $325m for Singer power tools unit

BY RODERICK ORAM IN NEW YORK

MR PAUL BILZERIAN, the Florida corporate raider, has found his first buyer for assets of Singer six months after he won control of the US defence electronics company.

Ryobi, a Japanese maker of power tools, sports goods, printing equipment and die castings, is to pay $325m for Singer's Motor Products division.

Based in South Carolina, the division is a leading supplier of power tools to Sears, Roebuck, the largest US retailer, and it also makes floor-care appliances under its own brand.

The long delay in asset sales had surprised Wall Street because analysts believed many of Singer's divisions, particularly in the defence field, would have found eager buyers.

Moreover, Mr Bilzerian was under pressure to raise cash quickly because he had borrowed heavily under onerous terms to finance the $1.06bn takeover.

The toughest were made by Mr T. Boone Pickens, the Texas raider, who put up the final $150m for the takeover.

Mesa Limited Partnership, his main company, will receive 17.5 per cent interest, 20 per cent of breakup profits and 20 per cent of the rise in Singer's market value. "It borders on grand larceny," Mr Bilzerian said at the time.

Singer's aerospace and defence electronics sector includes many desirable businesses such as flight simulators, torpedos, missile controls, battlefield communications, and guidance, navigation and electronic warfare equipment.

In total, the group might have a break up value of between $60 and $70 a share against Mr Bilzerian's purchase price of $50 a share.

Compared with Singer's high-tech assets, Ryobi is buying a more mundane division employing 2,600 people and generating some $225m a year in sales, according to analysts's estimates.

The purchase will add substantial production and marketing muscle to Ryobi's existing US power tools subsidiary.

N-plant pact for Texas Utilities

BY OUR NEW YORK STAFF

TEXAS UTILITIES has agreed to give a citizens' lobbying group a formal role overseeing its nuclear power plant in an effort to prevent further delays in winning a licence for it.

The Dallas company has been trying for 10 years to get an operating licence for Comanche Peak, 75 miles southwest of the city. But allegations of improper plant design and construction and intimdation by the company of quality assurance inspectors thwarted its efforts.

Under the nnprecedented agreement, the Citizens Association for Sound Energy, its main opponent for the past decade, will get a seat on the plant's nine-member operations review committee for five years or until one year after the second phase of the plant begins operation.

The committee is responsible for safety, inspection and other review functions. The utility will pay for the lobby group to hire its own technical consultant who will have access to the nuclear plants. In addition, Texas Utilities will reimburse the group for its expenses over the past 10 years.

In return, the group will drop its request for further licensing hearings which had threatened to delay the start up of the plant by as much as another three years.

The utility hopes the group's co-operation will enable it to win a licence and begin operating the first phase of Comanche Peak by late next year as soon as remedial work, forced on it by its opponents, has been completed.

UK executive may get £750,000 payout

BY RAY BASHFORD IN LONDON

SIR Robert Crichton-Brown, who steps down as executive chairman of Rothmans International, the UK-based tobacco group, on July 29 may receive a £750,000 ($1.26m) golden handshake.

If shareholders approve the payment at the company's annual general meeting, Sir Robert's total remunerations since he became executive chairman on January 2 1985, will have exceeded £1.5m.

The proposed payment is one of the largest made to a retiring UK executive and is understood to be part compensation for the absence of a pension scheme for Sir Robert.

Sir Robert, 69, said in November that he would not seek an extension of his contract when it expired in December next year. Last month, however, he said he intended to retire 18 months earlier.

Rothmans, which made pre-tax profits of £288.8m in the 12 months to March 31 48 per cent up on a year before, has £440m in cash reserves, in part due to recent asset disposals.

Sun agrees to buy Arco interests for $513m

By James Buchan in New York

SUN, the Pennsylvania oil refiner, is paying $513m to pick up a refinery, distribution network and 571 service stations that used to be owned by Arco, the big West Coast oil company.

Sun, which has slimmed down its operations to concentrate on the eastern US, said yesterday it was buying Atlantic Petroleum from a Netherlands holding company owned by Mr John Duess, who bought the business when Arco disposed of its marketing operations east of the Mississippi in a drastic reorganisation in 1985.

The main assets sold yesterday are Arco's old Philadelphia refinery, with a capacity of 130,000 barrels per day, 571 company-owned stations and convenience stores, and supply contracts with a further 400 Atlantic stations in Pennsylvania and New York. Also included is a 986-mile products pipeline from the refinery to Pittsburgh and upstate New York.

Sun said it was paying $513m plus working capital and inventory but was assuming no debt related to the business. At present, Sun has refining capacity of 460,000 b/d and sells gasoline through some 6,000 Sunoco stations in 27 eastern states.

Mr Robert Campbell, president of Sun Refining & Marketing, Sun's downstream division, said the Atlantic operation "fits extremely well into Sun R&M's existing configuration and lends additional strength to our overall refining and marketing efforts."

● Shell Oil, the US subsidiary of Royal Dutch/Shell of the UK and the Netherlands, is negotiating to buy a half-interest in a gas terminal owned by Columbia Gas System, the east coast gas pipeline company.

Andrew Baxter in London looks at the background to a $750m Pennsylvania buyout

York gets the corrective treatment

LAST WEEK'S $750m buyout agreement at York International, the Pennsylvania-based concern that is the world's largest independent manufacturer of air conditioning and refrigeration equipment, is the sort of deal that, on the face of it, is bound to raise a few eyebrows.

It was, after all, just over two years ago that York began life as a public company after 20 years as an increasingly problematic, and eventually loss-making, subsidiary of Borg-Warner. When shares began trading on the New York Stock Exchange on April 10, 1986 at $13¾, after a tax-free spin-off to Borg shareholders, the company was worth just $116m.

Now it is to be acquired at $57½ a share, in cash and debt, by a new company backed by Citicorp Capital Investors and other investors. Once the deal is completed, the company will be privately held.

The disparity between the two share prices will come as little surprise, however, to followers of the career of Mr Stanley Hiller, York's chairman and chief executive over the past two years.

Mr Hiller, 63, was a teenage entrepreneur before leaving school at 18 to build a revolutionary two-blade helicopter that formed the nucleus of Hiller Aircraft, a company he sold to Fairchild Industries in 1964.

For the past 20 years he has been a specialist in "corporate turnrounds," and after a string of successes reviving troubled companies such as Reed Tool and the former Baker International, he now sees himself as an "executive paramedic."

The events at York over the past two years typify Mr Hiller's approach, moving in temporarily with his team to administer corrective treatment, although the combination of the arrival of a company doctor and a spin-off was highly unusual if not unprecedented.

The company had suffered as a unit of Borg, which had been unable to encourage York to adapt its products, facilities and management to a maturing and increasingly competitive market. There were particular management and operating problems at the company's rambling main plant at its home town of York.

Mr Hiller said last week that "our interest was in getting in to York, rebuilding it and putting it on a growth curve." There has been, inevitably, some belt-tightening and greater stress on financial controls, but, as Mr Patrick Early, a York spokesman, put it, the main aim has been to "go through the company and make it work."

So while management changes have steadily reduced operating costs and increased efficiency, the Hiller team has been looking to exploit the under-used potential in the company's product range and York brand name, and increase co-operation between its domestic and international businesses.

Refrigeration and airconditioning share a lot of basic technology such as compressors, making a spin-off of the company in one piece more sensible than a break-up. To broaden the product range further, there have been seven acquisitions since the spin-off, of which the most important was that of Frick, the largest US producer of screw compressors, and its associated company Frigid Coil/Frick.

Acquisitions have also helped York expand its distribution network, and with an updated product line as well, York was well placed to take advantage of an active US construction market last year.

The result of these actions is that York has been transformed from a company with 6,000 employees and annual sales of nearly $700m at the spin-off to one with 9,500 workers and sales last year of $963.1m. After a pre-tax loss of $4m in 1985, it made pre-tax profits of $13.3m in 1986 and $49m last year.

York's shares have been rising sharply this year amid speculation that Mr Hiller was planning to sell the company. This was fuelled by the announcement in March that the company had asked Merrill Lynch Capital Markets to assist it "in evaluating various strategies for maximising shareholder returns."

For York's shareholders, the $57½ per share deal – more than four times the level set when the company made its NYSE debut – is a handsome return for just two years.

The list of beneficiaries includes Robert Bosch, the West German engineering company which was a long-standing shareholder in Borg-Warner and emerged with 9.4 per cent of York after the spin-off. The Hiller team are also shareholders, having exercised the right to acquire 20 per cent of the company on a fully diluted basis.

Mr Hiller says his team has probably made about $100m pre-tax from the deal. But he says: "Our equity return is on a value-added basis. Our true value from turning the company round comes from the improvement in its operations. People offer us a substantial return if the company is successful."

Given the current feverish state of the US leveraged buyout market, few deals go through unchallenged, and filings with the US Securities & Exchange Commission on Monday show that a higher, $59 a share offer from an unnamed party was rejected because of anti-trust concerns.

And with Wall Street analysts forecasting pre-tax profits of around $80m this year, nine class action suits have been filed in Delaware courts claiming that the $57½ deal is inadequate. However, the filings revealed that the Citicorp-led buyout group would receive up to $20m in fees and expenses if the merger agreement were terminated.

Having cleared the air at York, the Hiller team is moving on to new challenges. Mr Hiller is due to become chairman of struggling, New Jersey-based Levelor Lorentzen, the world's largest manufacturer of venetian blinds, and has other irons in the fire too. Of company doctoring, he says: "It's turned out to be a very interesting business."

FIVE-YEAR RECORD AT YORK INTERNATIONAL ($M)

	Sales	Pre-tax profits	Net income	Return on equity (%)
1983	596.4	(12.9)	(6.3)	(3.3)
1984	616.1	(2.9)	(0.67)	(0.4)
1985	636.8	(3.96)	(1.20)	(0.7)
1986	689.9	13.3	8.22	4.7
1987	963.1	49.0	27.6	14.1

Losses in brackets

'Small effect' seen on bank results

NATIONAL BANK of Canada, which last week agreed to buy a majority stake in Quebec broker Levesque Beaubien for about C$100m (US$83.2m), said the cost would have only a small negative effect on the bank's fourth-quarter earnings, Reuter reports.

Mr André Berard, president, said there would only be a nominal impact on fourth-quarter earnings for the cost of funding. He expected the cash and stock transaction to close by the end of August. The bank's fourth quarter ends on October 31.

Grupo March buys Spanish stake

GRUPO MARCH, the Spanish banking, property, distribution and cement production concern, has acquired an unspecified minority stake in Energia y Industrias Aragonesas, a chemicals group, Reuter reports.

Banco Urquijo Union, the merchant banking division of Banco Hispano-Americano, is a leading shareholder in Aragonesas.

Grupo March owns between 4 and 5 per cent of Hispano-Americano. Grupo March said it had not acted in concert with Hispano-Americano.

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International Appointments

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George Graham on the French durables group after the Rowenta deal

SEB steams into the big league

SEB has for years had a reputation abroad of being "the other" French manufacturer of kitchen equipment – long after it had outstripped Moulinex in sales, and long after it had overshadowed its more famous but elderly and loss-prone rival in profit performance.

With the acquisition of Rowenta, the West German household products company, SEB can move into a different league. It will still be a long way short of Electrolux, the Swedish giant, but its FFr6bn ($977m) or so of sales this year will give it a European stature that it lacked before.

Mr Emmanuel Lescure, who has been with his family's firm since 1951, mostly on the sales side, and became its chairman 12 years ago, says: "We are not a financial group, we are not a conglomerate; we are a specialist in small household equipment."

But if SEB itself has been little known outside France, where the company's own name is used as a brand, it is more famous with the Tefal brand, acquired in 1968, or with Calor, bought in 1972.

With Tefal, the group is world leader in non-stick cookware, with an estimated market share of 20 per cent. Unlike most other non-stick cookware producers, who use Du Pont technology, Tefal makes its own non-stick coating.

SEB is also number one in a world market for pressure cookers, estimated at 6.3m units, as well as leader in chip fryers, claiming 25 per cent of the European market. In toasters it claims to be European leader with a share estimated at 13 per cent, but only just ahead of Rowenta, which it is acquiring.

The Rowenta acquisition will also push the group into first place in the world steam iron market, where it sells largely under the brand name of Calor. Mr Lescure ranked his group last year as fourth in the world and second in Europe, with 20 per cent of the irons market, just behind Rowenta.

France still represented 54 per cent of SEB's FFr3.74bn sales last year, and the group is heavily dominant in its home market in areas such as pressure cookers and steam irons.

"In France we say we have 80 per cent of the pressure cooker market. If we told the truth we might have trouble with the competition authorities," Mr Lescure says.

The revival of Moulinex, which is back in the black again, and the advent of new competitors in the household equipment market, such as Black and Decker or Terraillon, may intensify competition for SEB on its home turf.

But the group has developed strongly in other markets. Where French sales grew by an average of 3 per cent a year in volume between 1983 and 1987, North America showed 12 per cent volume growth – SEB is particularly strong in Canada – and Japan 20 per cent growth.

Europe, outside France, is the main foreign market for SEB, with sales of FFr1.19bn, with strong implantations, under the Tefal name, in Belgium, the Netherlands and the UK.

Mr Lescure said earlier this year that SEB had not been able to improve its presence in West German retailing outlets to the extent it had hoped, and that West Germany would be a special priority for this year. The arrival of Rowenta appears to fill this gap.

Japan recurs in Mr Lescure's discussions of potential markets as an underexploited area.

"There is no chip fryer market yet in Japan, but they eat a lot of fried fish, so we are thinking of rendering a service to the Japanese in this area. We do not yet make the special sorts of iron needed for Japan, either – but we will do within two years," he says.

In the product area, too, SEB is expanding, with a particular accent on weighing machines.

"The fast developing segment of the weighing market is in electronic scales, which already accounts for 20 per cent of the French market and is growing fast. It is one of the most exciting markets for SEB, which is a recent arrival and still has only a small share," Mr Lescure says.

But the group also aims at revitalising its traditional products, as it did last year with the Supergliss durilium sole for its Calor irons and the new Sensor Ultracuiseur, a revamped version of the pressure cooker which was the company's original mainstay product.

"The Volkswagen Golf killed off the Beetle, but the Ultracuiseur has not killed off the old pressure cooker," chuckles the SEB chairman.

In financial results, the SEB group has shown a strong performance over the last three years, after carrying out a restructuring in 1983 to 1984. Calor, in particular, was a heavy lossmaker in 1984 before returning to profit in 1986, and is still much less profitable than the Tefal division.

Net profits grew 49 per cent last year to FFr164m, and earnings per share growth has averaged 41.5 per cent over the three years since the trough of 1984.

The cost of buying Rowenta, however, will greatly increase SEB's borrowings. SEB's FFr220m of long-term debt at the end of 1987 amounted to only around nine months' cashflow. The $170m the group will pay for its acquisition, plus $85m of debt it will assume from Rowenta's former owner, the US group Chicago Pacific, will take borrowings up to an estimated three-and-a-half years' cashflow.

With increased financial costs, SEB will have a hard job maintaining the 40 per cent profits growth of recent years. But it has strengthened its ambition of remaining world number one in its key product areas.

Cariplo to launch fresh plan

By Alan Friedman in Milan

CARIPLO, the leading Italian savings bank currently in negotiations to take a stake in a Catalan subsidiary of Spain's Banco Santander, is planning to launch a fresh proposal on Friday.

Mr Roberto Mazzotta, the chairman, said yesterday that the board of Cariplo will meet tomorrow to finalise a new offer "and we will transmit this to Spain on Friday morning."

The Santander deal came in for harsh criticism from Mr Carlo Polli, Cariplo vice president, earlier this week.

Mr Mazzotta shrugged off suggestions that the long-running talks with Santander had run into trouble.

When asked to explain why his vice president had attacked the deal, he replied that "we took a decision to do this deal with unanimous board consent and negotiations are going forward."

Under the terms of the deal, Cariplo is to cede 30 per cent of its Istituto Bancario Italiano subsidiary in exchange for 30 per cent of Banco Jover, a Santander subsidiary, plus one per cent of Santander's stock.

But "modalities" of the deal still need to be worked out, Mr Mazzotta said.

Cariplo yesterday released its first consolidated balance sheet, which showed a 1987 net profit of L240bn ($177m), up 13.8 per cent on 1986.

Cariplo's total assets at the end of last year amounted to L75,422bn.

Legal threat to Daimler talks

BY DAVID MARSH IN BONN

THE ALREADY complex negotiations for Daimler-Benz, the West German motor group, to take a 30 per cent stake in Messerschmitt-Boelkow-Blohm (MBB) face further complications as a result of a threatened lawsuit by minority family shareholders of Dornier, the aerospace group in which Daimler has a 65.5 per cent stake.

The Dornier family, which is already enmeshed in a dispute with Daimler over the motor company's plans to push through a capital increase at Dornier, warned yesterday that it could take legal action to ensure that its rights were upheld in any Daimler-MBB link-up.

The news came as Government Ministers conferred yesterday afternoon with officials from the Bavarian Government over more official funding for the Airbus airliner project to accompany a link with Daimler.

Mr Erich Riedl, state secretary at the Economics Ministry in charge of aerospace, confirmed in Munich that any MBB stake taken by Daimler would involve an increase in the DM600m ($333m) nominal capital of MBB, currently majority owned by the federal states of Bavaria, Hamburg and Bremen.

A large capital injection by Daimler would dilute the federal states' shares from the current level of just over 50 per cent to 36 per cent.

This would give Daimler management control of MBB and achieve the government's aim of strengthening the financial and industrial basis of the West German aerospace industry.

Mr Edzard Reuter, the chairman of Daimler, meanwhile reaffirmed during a factory visit in Bavaria that his company was prepared to take over management control of MBB only under the "essential condition" that the motor company was spared any financial responsibility for Airbus risks.

MBB is the West German partner in the four-nation Airbus Industrie consortium through its subsidiary Deutsche Airbus.

The size of present and future losses at Airbus has strongly handicapped several years of Bonn Government efforts to encourage industrial shareholders to top up the MBB capital.

Yesterday's talks, in which Mr Gerhard Stoltenberg, the Finance Minister, and Mr Martin Bangemann, the Economics Minister, both took part, were aimed at refining government offers of guarantees to MBB to tide it and Daimler over a heavy period of cash outlays spreading throughout much of the next decade.

COB investigates share deals by Italian financier

BY GEORGE GRAHAM IN PARIS

MR RAUL GARDINI, the Italian financier who controls the Ferruzzi foods group and the Montedison chemicals company, has come under investigation by the French stock exchange authorities.

The Commission des Operations de Bourse (COB), the stock market regulator, is studying an operation last year which appears to have cost Beghin-Say, Mr Gardini's French sugar subsidiary, FFr860m ($140m) to the benefit of another Gardini operation, the unlisted European Sugars.

COB officials indicate that Beghin-Say, in which Mr Gardini controls 56 per cent of the voting rights, appears to have given inadequate information to minority shareholders, and are investigating whether the transaction ought to have been put to an extraordinary shareholders' meeting for approval.

According to French press reports, Mr Gardini used Beghin-Say, at the time flush with cash after a FFr1.3bn rights issue, to buy 7 per cent of Montedison for FFr1.91bn last year in his bid to take control of the chemicals company.

This stake was then swapped for European Sugar's stake in St Louis, the competing French sugar group, with a cash balance, for a total value of only FFr1.05bn.

The investigation echoes the demand for clarification by the Italian stock exchange authorities earlier this year of Mr Gardini's controversial restructuring of the Montedison group and its holdings.

Dow Chemical, the US company which had taken a stake in Montedison, officially complained about the operation on the grounds that it damaged minority shareholders in both Montedison and Meta, a financial services subsidiary

Whereas in the Beghin-Say transaction, Mr Gardini wrote down the value of the Montedison holding to take account of the fall in its stock market value after the October crash, in the Ferruzzi restructuring he used the book value of Ferruzzi's Montedison stake without accounting for its market fall.

Ruhrkohle sees gloomy future

By Our Financial Staff

RUHRKOHLE, the big West German coal producer, reports a drop of 64 per cent to DM38.1m ($21.1m) in net profits for 1987.

The company, which is reducing capacity to survive strong competition from abroad as well as from other energy sources, said the outlook for 1988 remained depressed.

Throughout 1988, the unfavourable climate for the domestic coal industry is expected to persist, said Mr Heinz Horn, management board chairman. German coal is relatively expensive to produce and the weak dollar has boosted the competitiveness of imported energy sources.

Mr Horn said coal sales would drop to 52m tons or less in 1988 from 52.2m tons last year and announced a speed-up of capacity reductions to avoid further unwanted increases in coal stocks.

The group's 1987 sales fell 5 per cent with 75 per cent of the downturn resulting from lower sales of coke, a coal derivative used as fuel for blast furnaces.

Ruhrkohle plans to cut production capacity by 10m tons to around 46m tons by 1995.

Foreign banks vie for base in Pakistan

By Mohammed Aftab in Islamabad

THREE FOREIGN banks are amoog 43 applicants to open investment banks in Pakistan. The Government is expected to allow two of the three – Grindlays Bank of the UK, Citibank of the US and the Luxembourg-based Bank of Credit and Commerce International (BCCI), in which Pakistanis hold several senior management posts – to open Pakistan's first two privately owned foreign investment banks.

Each will be asked to bring in a minimum of $5.6m in equity capital in foreign exchange, and will also be able to raise money for equity in Pakistan.

Pakistani investors will be allowed to start six more such institutions, making a total of eight privately owned investment banks. They, as well as the foreign banks, will be allowed to issue instruments encashable in 30 days.

Existing investment banks are either wholly or predominantly government-owned, and their resources are considered inadequate for financing significant private-sector investment

All commercial banks in Pakistan were nationalised in the mid-1970s.

Magneti gears up for Europe

John Griffiths on prospects for the expanding car components group

"OUR GOAL over the next two to three years is to be not up to the same level as Bosch – they're in another dimension – but to be an alternative, which is what the European vehicle industry needs."

The speaker is Mr Alessandro Barberis; short, stocky, and with an earnestly blunt air much more in keeping with Birmingham than Bolsano.

Which is appropriate because it *is in Birmingham, more precisely* within a former Lucas Industries components plant, that the man presiding over the fast-evolving Magneti Marelli motor components group is giving a notoriously rare interview.

"In Europe, it is still only Bosch which has got the really big dimensions of scale and innovation – but we are oow working towards it, with a very strong effort in electronics," he says.

Clearly, Mr Barberis intends the "we" to apply to others of Europe's larger component makers. For they, like Magneti Marelli, he believes, are facing an intensely challenging period induced by the planned EC market harmonisation in 1992, the threat of a Japanese components industry influx behind Japanese vehicle manufacturing in Europe and, indeed, vehicle manufacturing's accelerating coalesence into a single world-wide industry.

"The Japanese wish to enter and I don't believe in protectionism – I believe in having the capacity to compete. But they are so aggressive; they *want* to dominate, so we've got to be cautious. We still need time to organise."

It is the knowledge that not much time is available that has led to a wholesale restructuring, including acquisitions, for the Magneti Marelli group since the end of 1986. The reshape is still proceeding apace.

Most notably, it has brought together Fiat, the Italian motor group, and Matra, the French industrial and aerospace concern, in a pooling and rationalisation of their vehicle instrumentation and fuel systems companies – in particular the Weber (Fiat) and Solex (Matra) carburettor and fuel injection subsidiaries – in pursnit of the investment resources and economies of scale which might turn the previously separate companies into world players.

In that context, however, Mr Barberis is anxious to clear up one widespread misapprehension.

"Frequently people say 'Yon are Fiat,' but it is important to understand that we are a public company, not 100 per cent Fiat, *and that we have 3,000 other* shareholders."

Fiat's holding is, however, a controlling one – 55 per cent – and Magneti Marelli can thus be ranked third in profits and turnover, after cars and Iveco trucks, within the Fiat empire.

Last month, it reported net *profits up by just over 50 per cent* to L30.4bn ($22.4m), on turnover of L2,641bn. While making no profits forecast, Mr Barberis says that turnover this year should reach about L3,070bn.

The restructuring has involved other companies, and is likely eventually to involve more once Magneti Marelli has accomplished its current phase.

Most of Lucas's starter motors and vehicle lighting activities, including its interests in Carello, have been bought by Magneti Marelli – a move which has dovetailed neatly with Lucas Industries' own motor components restructuring.

Other relatively "household" names in the industry now under the Magneti Marelli banner include Jaeger, Cavis and Veglia Borleti (instruments), Siem (lighting) and Climatizzazione (air-conditioning).

The strategy evolved has been based on the belief that "it is important for the future to integrate the businesses, not let them evolve separately.

"In this way it allows Magneti to concentrate financial and R&D investment, select priorities and obtain economies of scale," says Mr Barberis. "For example, Weber on its own would not have had the resources to switch from carburetion to fuel injection."

It is also becoming important, he stresses, to consider components not as individual compo*nents but as part of sub-systems* – the "system" itself, of course, being the car. "And, we want to get synergies – because we believe that to compete in 1992 you've got to have integration and the synergies."

That also means reaching the right size to be competitive at the level intended. For example, in lighting, at the end of 1986 Magneti had only Siem, whose sales accounted for 7 per cent of the total European market. About 70 per cent of its sales were to Fiat.

Since the acquisition, Magneti Marelli's share has reached 30 per cent "and we're number two behind Valeo, which has around 35 per cent. Sales of lights to Fiat are now less than 30 per cent of turnover."

It is a similar case with starters and alternators. Previously, Bosch had 50 per cent of the European market, Valeo 25 and Magneti Marelli 13, with Lucas close behind at 11.

"Capital investment in starters and alternators is very high, so scale is very important. Both we and Lucas had a similar size problem so we took over and are now equal with Valeo, at about 25 per cent.

A big push from within is being made in the field of electronics – where so far only 1,000 of Magneti Marelli's 30,000 employees work – for the simple reason that electronics span all sectors of the business, including production systems. "It is the agent of change," points out Mr Barberis.

Inevitably, there is a price to be paid in capital and R&D expenditure. In the current year, this will mean capital spending equivalent to 11 per cent of sales, and R&D a further 5 per cent.

Mr Barberis makes clear that he does not begrudge it – rather, simply regards it as vital for a secure post-1992 future.

Alessandro Barberis (left), of Magneti Marelli, does not believe in *protectionism*. 'I believe in having the capacity to compete.'

That future, he stresses, already does not depend on Fiat itself as a captive customer. Only 30 per cent of total sales are made to Fiat, virtually all the remainder to other car companies.

The pan-European approach, he declares, is necessary for 1992 as is closer collaboration between car component makers.

In that context, he dismisses suggestions that vehicle makers themselves may be irked at the large amounts of value-added going to electronics and other components suppliers as cars become more complex, and that they may want a larger share for themselves.

"I believe this is not true. Profits in components are very low whether it's Bosch, Magneti or whoever – much less than car makers. The profit is still in the car, not in the components.

"That's one of the reasons why we need to establish a closer partnership; because if the relationship stays only commercial, the result is not only to reduce the component maker's profit. It then does not have the resources to innovate on its own behalf, which would contribute to lowering the costs base – and hence improving the profitability of the car maker itself.

Such symbiotic relationships have long been enjoyed in the Japanese components industry – with which, however, Mr Barberis sees only limited prospects for collaboration.

"Yes, I'll consider joint ventures with the Japanese – but only ones where we hold the majority and where what's being produced is our product," he stresses.

The fate of so many joint ventures, where the western company has come to depend on its Japanese partner for innovation as a prelude to its demise, is one that, Mr Barberis stresses, he does not intend Magneti Marelli companies to share.

Provided the European components industry performs, he suggests: "I believe European (vehicle) producers will prefer to buy from European factories."

Apart from lighting, R&D and production engineering for all of Magneti Marelli is in the UK and headquartered at the Birmingham facility. All production engineering has been transferred there "because I find good production and production engineering here."

Mr Barberis is reluctant to talk about the prospect of further acquisitions. "At the moment we have enough to work with. Don't rule it out for the future. But there's still a lot to do in deciding product lines and strategy."

Sumitomo Electric ahead

BY OUR FINANCIAL STAFF

CONSOLIDATED NET earnings for Sumitomo Electric Industries, Japan's largest electric wire and cable maker, rose by 12.7 per cent to Y18.82bn ($138.9m) or Y27.97 per share in the year ending March 31, from Y16.69bn or Y25.47 in the previous fiscal year.

Pre-tax earnings were Y36.42bn, np 15 per cent from Y31.68bn in fiscal 1986. Sales grew by 5 per cent to Y768.61bn.

Strong domestic demand during the year helped the company, according to company officials, with a construction materials subsidiary reporting considerable sales and earnings gains as the Government spurred construction activity during the year.

Low interest rates helped cut non-operating costs by 8.3 per cent to Y18.55bn. Extraordinary losses dipped by 14 per cent to Y6.23bn, driving up earnings.

Sumitomo Electric officials are optimistic about sales and earnings.

Ajinomoto climbs 15%

BY OUR FINANCIAL STAFF

AJINOMOTO, JAPAN'S leading integrated food processor, yesterday reported a 15.4 per cent gain in consolidated net earnings to Y16.59bn ($122.5m) or Y26.30 a share in the year ending March 31, from Y14.37bn or Y25.30 the previous year.

Sales rose by 0.5 per cent to Y483.45bn from Y481.23bn. Pretax profit surged by 26.2 per cent, to Y36.57bn from Y28.98bn.

The overall sales rise was attributed to an increase in foodstuff sales, which increased to Y196.19bn from Y184.48bn. This defrayed slight slips in the company's Aji No Moto food seasonings, oils and fats and other product lines.

Cost savings as part of restructuring moves and income *from* other sources contributed to the positive climb in net earnings.

The company forecast that sales this year would total Y500,000bn.

Dealers wary of reversal in dollar's good fortunes

BY DOMINIQUE JACKSON

TRADING IN the Eurobond market yesterday was mainly inter-professional and currency-driven, as dealers watched the foreign exchanges for any sign of a reversal in the dollar's recent good fortunes as the US returned after the long Independence day weekend. New issue activity was once again restricted to equity-linked or targeted deals.

Eurodollar bonds were marginally easier where changed, attributed by dealers largely to profit-taking. However, the sector was underpinned by the resilience of the dollar itself, which was buoyed by nerves about rising tension in the Gulf and the prospect of higher oil prices.

The renewed strength of sterling in the wake of Monday's base rate rise to 10 per cent prompted a much firmer tone to the gilt-edged and Eurosterling markets. Professionals rushed back into the market to ensure that short positions built up over the last few days were adequately covered.

Longer dated gilts finished up to 1½ points better with gains of about a full point registered at the longer end of the Eurosterling market.

However, although many dealers believed the rally could continue today – depending on the pound's performance – most noted that there had been only limited interest from retail accounts.

Domestic government bond prices in West Germany traded quietly within a narrow range. Most slipped slightly following the New York opening after starting marginally firmer on short covering. Euromark prices were steady to a little better where changed.

The Swiss bond market saw average to low turnover with prices ending slightly firmer where changed. A SFr150m issue for Austria's Asfinag traded for the first time, bid at 99 compared with its 99¾ issue price.

In spite of the somewhat lacklustre tone of the dollar bond markets, Nomura International brought a $150m straight deal for Finnish Export Credit. The coupon is 8⅞ per cent while the issue price was set a 101.025. The two-year maturity on the deal was thought to be its most attractive feature and should generate demand from investors only really happy to take dollar-denominated paper at the short end of the yield curve. The lead manager said the deal was trading within its total 1⅛ fees.

Nomura also led an equity-linked deal for Sumitomo Cement, a $100m four-year issue

INTERNATIONAL BONDS

with warrants which is guaranteed by Sumitomo Bank. The coupon is indicated at 3⅛ per cent.

Nikko Securities was the lead manager of the day's other two equity warrant offerings. These included a $120m five-year issue for Mitsubishi Cable Industries, backed by Mitsubishi Bank, carrying a coupon indicated at 4⅛ per cent. Nikko was also lead on a $50m five-year deal for Sekisui Plastics, guaranteed by Sanwa Bank, on which the coupon is indicated at 4⅛ per cent.

All the deals were bid at small discounts to issue price, which was par on all three bonds. Syndicate managers said the sector was groaning somewhat under the weight of new paper, of which there has been an unusually high volume lately, with more than $1.5bn issned last week.

Although the sector usually operates in virtual isolation from the rest of the Eurobond market, influenced more by the Tokyo Stock Exchange than by any fixed-income market, it appears that borrowers coming to tap the sector are now as concerned about the possibility of rising interest rates as issuers of straight bonds in any other currency.

Several more equity warrant deals are still lined up to come later this month, but dealers are worried that they will not get a fair reception given the current log-jam in the primary market for these issues.

More sensibly paced timing of issues will also be difficult to achieve as Japanese companies are now anxious to issue before interests rates rise too far and the securities houses and banks, not eager to jeopardise their valuable corporate relationships, will be obliged to continue bringing the issues.

In the yen bond sector, Mitsubishi Trust International led a two tranche floating-rate note deal for Finland's Kansallis Osake Pankki. Both tranches are for Y5bn, each have a maturity of four years and are priced at 101.50. The coupon on the first tranche will be 50 basis points (hundredths of a percentage point) over the Japanese long-term prime rate. The coupon on the second will be 8.66 per cent, less the long-term prime rate. The bonds will not be listed and are not expected to trade widely.

Merrill Lynch also brought a specially-tailored issue for Montreal Trust Company of Canada. The Y5bn, five-year issue is priced at 101⅞ and will pay a coupon of 2⅞ per cent in the first two years and 7 per cent in years three to five.

Salomon Brothers International fixed the coupon on last week's A$150m convertible issue for transport group TNT at 9 per cent, as indicated. The conversion price was fixed at A$5 per share, representing a 14.86 per cent premium over Monday's closing share price.

In Switzerland, Japanese supermarket chain Marukyu issued a SFr50m convertible five-year bond on which the coupon is indicated at ⅞ per cent. Swiss Bank Corporation was the lead manager on the issue.

Bank Leu led a SFr35m deal for Tabai Espec Corporation. Another five-year deal, the coupon is also indicated at the ⅞ per cent level.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on July 5

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†95¼	95¾	0	+0⅛	8.98
All Nippon Air 9⅞ 97	100	*†96⅞	96⅞	0	+0⅜	9.91
American Brands 8⅞ 92	150	†99⅞	99⅛	0	+1	9.02
A/S Eksportfinans 7⅞ 93	100	*†94⅞	94⅞	0	+0⅛	8.89
A/S Eksportfinans 7¼ 92	150	†94⅞	95⅜	0	+0⅛	8.88
Barc. Bk. Fin. 10¾ 89	200	*†103⅛	103⅛	0	+0⅛	7.65
Belgium 9¼ 92	400	*†101¼	101¾	0	+0⅛	8.77
British Telecom 7⅞ 96	250	*90⅞	90⅞	-0⅛	+0⅞	9.54
Cal. Nat. Telecom 8½ 93	160	*99⅛	99⅞	0	+0⅛	8.65
Canada 9⅜	1000	99½	100	0	+0⅜	9.03
Canadian Pac 10¼ 93	100	†103¼	104⅛	0	0	9.69
C.C.C.E 7⅞ 91	113	*96	96	0	+0¼	8.54
C.N.C.A 7½ 91	150	95⅛	95⅞	-0⅛	+0⅛	8.88
Coca-Cola Ent. 8⅞ 90	200	†99⅝	99⅞	0	+0⅛	8.59
Credit Lyonnais 9 91	200	†100⅛	100⅞	+0⅛	-0⅛	8.69
Credit National 8¼ 93	200	†97	97½	+0⅛	+0½	8.97
Credit National 7⅞ 92	100	95	95½	0	+0⅛	8.89
Credit National 7⅞ 91	150	†95⅞	96⅛	+0⅛	+0⅛	8.66
Denmark 7⅞ 92	500	†94⅞	94⅞	0	+0⅛	8.97
E.E.C 7 91	100	95⅛	95⅞	+0⅛	+0⅞	8.60
E.E.C. 7⅛ 93	250	93⅞	94	-0⅛	+0⅛	8.96
E.E.C 8⅛ 96	100	*93⅞	94⅛	0	+0⅛	9.33
E.I.B. 7⅞ 93	100	†94⅞	94⅞	+0⅛	+0⅛	8.92
E.I.B 9⅜ 97	150	†100⅛	100⅞	+0⅛	+1	9.28
Elec.De France 9 98	200	†97	97½	0	+0⅛	9.43
Finland 7⅞ 97	200	†90⅞	91⅛	0	+0⅛	9.46
Finland 7⅞ 93	200	†93⅞	94⅛	-0⅛	+0⅛	8.95
Fins.Exp.Cd. 8½ 92	200	98⅛	99⅛	0	+0⅛	8.84
Ford Motor Credit 8 91	250	†98	98⅛	0	+0⅛	8.72
Gen Elec Credit 10⅛ 00	200	101⅛	101⅞	0	+0⅛	10.02
G.M.A.C. 0 89	250	†99⅞	99⅛	0	+0⅛	8.45
G.M.A.C. 8⅛ 89	200	†99⅞	100⅛	0	0	8.37
Hoesch 8⅛ 97	100	*†94⅞	94⅞	0	+0⅛	9.20
Italy 9 90	1000	100⅞	101⅛	0	+0⅛	8.39
L.T.C.B of Japan 0 91	100	†98⅞	98⅞	0	+0⅛	8.60
L.T.C.B of Japan 8 97	200	†90	90⅛	-0⅛	+0⅛	9.72
Mercedes-Benz Cd. 8½ 95	100	96⅛	96⅛	0	+0⅛	9.21
Metropolis Tokyo 9⅛ 93	200	101⅛	102	0	+0⅛	8.98
Morgan Guaranty Tst. 7 90	150	†97⅛	97⅞	0	-0⅛	8.70
Norway 8⅛ 93	500	99⅛	99⅞	-0⅛	+0⅛	8.90
Pepsico Inc 7⅞ 93	200	†94⅛	95	0	+0⅛	8.74
Portugal 0⅛ 91	300	†97⅞	98⅛	-0⅛	0	9.03
Prudential Crp 8⅞ 94	125	†99⅞	100⅛	0	+0⅛	8.75
Qantas Airways 10⅛ 95	140	104⅛	104⅞	-0⅛	+0⅛	9.49
Saab Scania 9⅛ 91	125	*†103⅛	103⅛	0	+0⅛	8.09
Saskatchewan 10⅛ 92	100	105⅛	105⅛	0	+0⅛	8.97
State Bk S Aust 9⅞ 90	100	100⅛	100⅛	-0⅛	+0⅛	9.15
Swed Exp Cred 7⅞ 92	100	†95⅛	95⅞	0	+0⅛	8.75
Swed Exp Cred 10 92	100	*†103⅞	103⅞	0	+0⅛	8.77
Sweden 7 91	250	95⅛	95⅞	0	+0⅛	8.58
Sweden 7 92	250	*95⅛	95⅛	0	+0⅛	8.43
Sweden 8⅛ 96	200	96⅛	97⅛	-0⅛	+0⅛	9.32
Sweden 0⅛ 92	200	†99⅞	99⅞	0	+0⅛	8.60
Victorian Rep 11⅛ 92	150	107⅛	108⅛	0	+0⅛	9.07
World Bank 7 92	300	†94⅞	95⅛	0	+0⅛	8.71
World Bank 9 97	300	†98⅞	99⅛	+0⅛	+1	9.18
Yasuda Trust Fin 8⅞ 93	100	†97	97⅛	-0⅛	+0⅛	9.21
Average price change... On day 0 on week +0½						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	100⅛	101⅛	+0⅛	+0⅛	5.80
Asis Fin.SVS 5⅛ 92	100	—	—	—	—	—
Bank of Tokyo 5⅛ 93	100	†102⅛	103⅛	-0⅛	+0⅛	5.03
Central BK. Turkey 7 92	200	†104	104½	0	-1⅛	5.83
Commerzbank o/s. 5⅛ 93	300	†99⅞	100⅛	+0⅛	+0⅛	5.37
Degussa Int. 6⅛ 97	200	98⅛	99⅛	-0⅛	-0⅛	6.27
E I B 5½ 98	150	96⅛	97	+0⅛	+0⅛	5.96
E.I.B 6 97	300	98⅛	99⅛	+0⅛	+0⅛	6.15
E.I.B. 6⅛ 96	300	100	100⅛	0	+0⅛	6.06
E.I.B. 6⅛ 97	400	99⅛	100⅛	0	0	6.16
E.I.B. 6⅞ 95	300	104⅛	105⅛	+0⅛	+1	6.01
Euro. Coal & Steel 5⅞ 97	175	97⅛	98⅛	0	-0⅛	6.21
Eurofima 6⅛ 96	100	100⅛	101⅛	+0⅛	-0⅛	6.13
Elec De France 5⅞ 97	300	96⅛	97⅛	+0⅛	+0⅛	6.21
Forsmark Krtg. 5⅛ 93	200	100	100½	+0⅛	-0⅛	5.06
I.A.D.B. 6 97	200	98½	99⅛	+0⅛	+0⅞	6.17
IBJ 5⅛ 92	100	†101⅛	101⅛	+0⅛	+0⅛	5.46
Japan Finance 5⅞ 97	100	95⅛	96	+0⅛	+0⅛	6.42
Ireland 6⅛ 97	300	†100	100⅛	+0⅛	+0⅛	6.46
Korea Dev BK 6⅛ 93	100	102⅛	102⅞	+0⅛	+0⅛	6.02
Malaysia 6⅛ 94	150	99⅞	100⅛	-0⅛	+0⅛	6.20
Nat. West BK. PLC 6 98	300	97⅛	97½	+0⅛	+0⅛	6.36
Oesters. Kontbk. 5 93	300	99⅛	99⅞	0	0	5.12
Portugal 5⅛ 92	150	100⅛	101⅛	0	+0⅛	5.54
Portugal 6⅛ 95	150	100⅛	100⅞	0	0	6.53
Privatbanken 5⅛ 93	150	99	99⅛	+0⅛	+0⅛	5.43
Royal Insurance 5½ 92	300	†100⅛	101⅛	0	0	5.19
Statoil 6⅛ 97	200					
Soc Cent Nucleur 7⅛ 95	150	103⅛	103⅞	0	-0½	6.61
Westlb. Finance 5 93	200	†99⅛	99½	0	0	5.15
World BK. 6⅛ 97	600	100	100⅛	+0⅛	+0⅛	6.17
Average price change... On day +0 on week +0¼						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5⅝ 96	100	†102½	103	0	0	5.20
Asfinag 5 02	150	†98¾	99	0	-0¼	5.11
Bk. Fran. Econ. Ussr 5 98	100	†100	100½	0	-0⅜	4.96
Bayer W/W 2½ 02	250	†99¼	99¾	-0⅛	-0⅜	2.54
Bayer. Vrnsbk. Os. 4¾ 98	100	†100	100½	0	-0¼	4.71
Elec. De. France 5 07	100	†99½	100	-0½	0	5.02
E.I.B. 4¾ 97	200	†100¼	100½	0	+0⅜	4.70
E.I.B 4⅝ 97	200	†99	99¼	-0⅜	-0½	4.75
Enso Gutzeit 5 99	100	†100½	100¾	+0¼	+0¼	4.92
Ireland 5 02	150	†98½	99	+0¼	+0¼	5.13
Nippon Suis. Ksha 4⅝ 93	80	†102	102¼	-0¼	-0⅜	4.14
Occident. Petrol 5¼ 92	100	†103½	104	0	+0¼	4.59
Prov. of Manitoba 4⅞ 02	200	†99¾	99½	-0⅜	0	4.83
Prudential Fin. 4⅞ 98	200	†99¾	99½	+0⅛	-0⅜	4.83
Qantas Airways 4¾ 97	110	†97½	98	0	+0⅜	5.06
Trans-Can. Pipe 4⅞ 94	100	†101¼	101¾	-0¼	0	4.56
Usf+g. 5½ 96	120	†103½	104	+0¼	+0½	4.89
Victoria Pub. Ath. 5¾ 03	118	†101½	101¾	0	0	5.21
World Bank 5 02	200	†98¼	99¼	+0⅜	-0⅜	5.10
Average price change... On day +0 on week -0¼						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	100⅝	100⅞	-0⅛	-0⅛	5.17
Belgium 4⅝ 94	45	95½	95⅝	0	-0½	5.51
Canada 4⅝ 92	80	97⅞	97½	-0⅛	-0½	5.12
Elec. De France 5⅛ 94	20	98⅞	99	+0⅛	-0⅛	5.38
Ireland 5⅛ 93	30	99½	100	-0	-0⅛	5.18
Norway 5⅛ 95	50	97⅛	97⅞	-0⅛	-0⅛	5.55
Rep. of Italy 5⅛ 92	150	102⅛	102⅞	+0⅛	-0⅛	5.04
Sweden 4⅝ 93	250	97⅛	97⅛	0	-0⅛	5.28
World Bank 5½ 92	50	101⅛	101⅞	0	-0⅛	5.02
Average price change... On day 0 on week -0½						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS 10¾ 93 £	50	99¼	99¾	+0⅛	-0⅛	10.36
Alg. Bk. Ned. 5⅛ 92 FL	150	100⅝	101⅛	0	-0⅛	5.26
Amro Bank 6⅛ 92 FL	150	101	101½	0	+0⅛	5.89
Barc. Aust. 14 91 AS	20	101	101⅜	0	+0⅞	13.48
Barc. Bk. 10⅞ 97 £	250	96⅝	97	+0⅛	-0⅛	10.79
BP Capital 9⅞ 93 £	100	97⅞	98⅜	+0⅛	-0⅛	10.24
British Airways 10 98 £	100	95	95⅜	+0⅛	0	10.80
C.I.B.C Mort. 10⅞ 93 C$	100	†100⅞	101⅝	0	0	10.43
Coop. Ctr. Rabo. 6⅛ 93 FL	100	101	101½	0	-0⅛	5.92
Coop. Ctr. Rabo. 6 92 FL	200	100	100½	0	-0⅛	5.93
Denmark 7⅞ 92 ECU	100	102⅝	103⅛	-0⅛	-0⅛	6.75
Deutsche Bank 9⅞ 97 £	75	†95⅞	96⅜	+0⅛	-0⅛	10.56
Deut. Bk. Aust. 12⅞ 95 A$	70	100	100⅜	-0⅜	+2⅛	12.68
E.I.B 10⅛ 98 C$	130	†98⅞	99⅛	0	+0⅛	10.27
E.I.B 8⅞ 93 LF	10	†101⅞	102⅛	+0⅛	-0⅛	8.13
Elec. France 10⅛ 95 C$	125	†100⅝	101⅛	0	+0⅛	10.03
Euratom 7⅞ 97 ECU	145	96⅛	96⅞	+0⅛	+0⅛	7.96
Eurofima 7½ 92 FL	50	†106½	108⅛	0	0	5.28
Fed. Bus. Dv. Bk. 9⅞ 92 C$	75	†99⅞	100⅛	0	+0⅛	9.74
Ford Cr. Can. 10⅛ 93 C$	100	†102	102⅛	0	+0⅛	10.08
Gillette Can. 9⅞ 93 £	70	94⅝	95⅛	+0½	0	10.97
G.M.A.C. 9⅞ 93 C$	150	†98⅞	99⅝	0	+0⅜	9.97
G.M.A.C. 9⅞ 92 C$	75	†99⅞	100⅜	0	0	9.23
G.M.A.C Aus. Fin. 14 90 AS	50	101⅞	101⅞	0	+1	13.24
Halifax BS 10⅛ 97 £	100	97⅞	98⅛	+0⅛	0	10.77
Heineken NV. 6⅛ 91 FL	150	†102⅞	103⅛	0	-0⅜	5.21
Imp Chem Inds 10 03 £	100	95⅛	95⅜	+1	-1½	10.60
Inv. Industry Int. 10 93 £	60	98	98⅜	+0½	-0⅛	10.50
Lloyds Bank 10⅛ 98 £	150	95½	96	+0⅛	-0⅛	10.96
Mtge. Bk. Den. 6⅛ 91 FL	100	102½	103⅛	0	+0⅛	5.59
Nat. Australia 14 92 AS	50	101	101½	+0⅛	+0⅜	-0.17
Nat. West. Bk. 13⅞ 92 AS	50	†100⅛	101⅛	-0⅛	-1⅛	12.75
Nationwide BS 10⅛ 93 £	75	98⅜	98⅞	+0⅜	-0⅛	10.55
Ned. Midd. Bank 6 92 FL	150	100½	101⅛	0	-0⅛	5.76
New Zealand 9⅞ 93 £	100	96⅛	96½	0	-0⅜	10.51
New Zealand 7⅞ 93 ECU	200	101⅞	101⅞	+0⅜	+0⅛	7.34
Oesters. Ktbk. 13⅞ 94 AS	75	102⅞	102⅞	+0½	+0⅞	12.99
Prudential Fin. 9⅞ 07 £	150	88⅛	88⅜	+0⅛	-0⅛	10.82
Royal Bk. Scot. 10⅛ 98 £	125	97⅜	98⅛	+0⅞	+0⅜	11.00
S.D.R. 7⅛ 95 ECU	90	99⅜	99⅞	0	+0½	7.81
Wstd. Lb. Fin. 12½ 93 AS	50	†99⅞	100⅜	-0⅜	+0⅛	12.54
World Bank 5⅞ 92 FL	100	101⅛	101⅞	0	+0⅛	5.29
World Bank 13⅞ 92 AS	100	†100⅛	100⅞	-0⅛	+0⅛	13.15

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alberta 3 93	†.0312	100.19	100.29	13/12	7.91
Alliance & Leic. Bld 94 £	.88	99.32	99.37	21/07	8.33
Belgium 91	0	100.21	100.31	22/08	7
Britannia 5 93 £	0⅛	99.75	99.80	8/07	8¾
Chase Manhattan Corp 91	0⅛	99.25	99.43	22/08	6.94
Citicorp 98	†0⅛	96.80	97.05	31/08	7.69
EEC 3 92 DM	†0	100.42	100.52	22/08	3.56
Halifax BS 94 £	.1	99.59	99.64	9/08	8.47
Invt. In Industry 94 £	0	99.43	99.53	24/08	7.81
Leeds Perm. B/S. 94 £	0⅛	99.95	100.00	13/07	8.37
Midland Bank 01 £	.1	94.37	95.87	11/08	8.54
Milk Mkt. Brd. 5 93 £	0⅛	99.69	99.74	30/06	8.81
New Zealand 5 97 £	.07	99.70	99.80	18/08	7.81
New Zealand 5 01	0	99.71	99.81	4/08	6.98
United Kingdom 5 92	†0	100.02	100.12	7/07	6.94
Woodside Fin. 5⅛ 97	†0	99.76	99.86	28/07	7.31
Woolwich 5 95 £	0⅛	99.31	99.36	19/08	7.87
Average price change... On day +0.01 on week +0.21					

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcon 6⅛ 02	8/87	62.	104⅞	105⅞	-0⅛	24.14
Alco Health 6⅛ 01	*7/86	26.25	110⅛	111⅞	0	0.47
American Brands 7⅞ 02	†9/87	56.7	101⅛	102⅛	-0⅛	19.54
Primerica 5⅛ 02	4/87	66.75	65⅛	66⅛	+0⅛	61.98
Ashikaga Bank 2⅛ 02	4/87	967.	120	122	+1⅛	-1.69
Asics 5 92 DM	12/83	472.7	199⅛	200⅛	+2	5.21
CBS. Inc. 5 02	†4/87	200.	90⅛	91⅛	0	13.40
Fuji Hvy Inds 3 00	*10/85	676.	236⅛	236⅛	0	4.87
Fujitsu 3 99	5/84	1106.	239	240	+12⅛	2.66
Kinki-Sogo Bk. 2⅞ 03 US	4/88	1069.	116	117⅛	+1⅛	-5.54
Land Sec. 6⅛ 02 £	6/87	6.72	97⅛	98⅛	-0⅛	16.73
MCA INC 5½ 02 US	9/87	69.62	82	83	0	36.76
Minolta Camera 2⅛ 94 DM	2/86	1004.	102⅛	103⅛	+0⅛	20.12
Mitsubishi Bk. 1⅞ 02 US	9/87	3157.	105	106⅛	+2⅛	4.89
Mitsui trust 2⅛ 01	10/86	1903.	120⅛	121⅞	+5	-0.27
Next PLC 5⅛ 03 £	11/87	4.3	101	102	-0½	75.99
Nishi Nipp. Bk. 2⅛ 03 US	4/88	804.	117	118	+2	1.58
Omron Tateisi 2⅛ 02	4/87	1310.	197	198⅛	+1⅞	-2.32
Ranks Hovis 4⅛ 03 £	1/88	3.5	120½	121⅛	+0⅛	3.40
Redland 7⅛ 02 £	1/87	5.4	88⅞	89⅞	+2⅞	16.86
Texas Inst. 2⅛ 02 US	†9/87	82.87	79½	80½	+0⅛	34.62
W.R. Grace 6⅛ 02 US	9/87	42.12	86½	87½	+0⅛	38.30

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Cerus in Belgian warrants issue

By Our Euromarkets Staff

CERUS, Mr Carlo De Benedetti's Paris-based financial holding company, is to raise SFr125m ($82.2m) through a Swiss issue with equity warrants. S.G. Warburg, Sodotic and Shearson Lehman Brothers Finance have been awarded a joint mandate.

The equity warrants are convertible into shares of Société Générale de Belgique, the powerful Belgian holding company which has recently been at the centre of a European takeover struggle. The five-year bond is issued through Cerus BV, a financing vehicle, and carries the guarantee of the French parent, Cerus SA in Paris. It is priced at par and has an indicated coupon of 3 per cent.

Mr De Benedetti, one of Italy's best-known financiers, fought a protracted battle for control of La Générale earlier this year. However, under a complex share swap announced in Brussels this week, Mr De Benedetti agreed to reduce his direct and indirect holdings to a total of 16 per cent.

The conversion price will be fixed on or before July 18 and the conversion premium is indicated at 10 per cent.

Shearson were instrumental in building up Mr De Benedetti's original stake in La Générale while the Cerus group has had a long corporate relationship with Warburgs, hence the unusual joint mandate on the issue.

Sharp fall in French new issues activity

By George Graham in Paris

NEW ISSUES activity in the French capital markets declined sharply in the first half of this year, with both the bond and equity markets showing falls.

Total public offerings of equities shrank to only FFr6.2bn ($1bn) in the first six months of 1988, compared with FFr37.5bn in the same period a year earlier. Overall equity issues, including private placings, showed a 44 per cent decline to FFr47.6bn in the first half.

Only the convertibles sector showed signs of life, with issues up 29 per cent from a year earlier to FFr10.7bn.

Total bond issues declined to FFr165.8bn, compared with FFr171.4bn in the first half of 1987, according to statistics from Crédit Lyonnais, which is secretary to the French issues committee. Fixed-rate issues declined to FFr100.3bn, with floating-rate issues rising to FFr65bn. The total collapse in new equity issues follows last October's stock market crash, which halted a number of planned rights issues.

Most French companies, with buoyant earnings last year, have been able to delay any planned capital increases. Those which needed urgently to raise fresh capital, such as Compagnie Financière de Suez which needed to finance its stake in Société Générale de Belgique, resorted to convertible issues.

The banking sector, aiming to increase its capital in line with the new prudential ratios to be applied in the next few years, has made large issues of subordinated debt, which are counted in second-tier capital.

In addition to the decline in equity offerings, the offer of shares in state sector companies has dried up, following the suspension of the privatisation programme.

Crédit Suisse Tokyo offering raises SFr253m

By William Dullforce in Geneva

CREDIT SUISSE has raised SFr252.7m ($186m) in new equity capital through a public offering on the Tokyo stock market over the last few days.

A bank consortium led by Yamaichi Securities had successfully placed 100,000 bearer shares with a nominal value of SFr500 each at a price of SFr2,527, Crédit Suisse announced yesterday.

The price offered a 1.5 per cent discount over the closing price in Zurich on June 27.

Norcen acquires stake in oilfield

By Our Financial Staff

NORCEN ENERGY Resources of Canada is to buy 20 per cent of a New Zealand oilfield from New Zealand Oil & Gas and its associate Oil Fields.

Norcen Energy and its wholly owned subsidiary Norcen International will pay NZ$40.3m (US$27m) for the interest in the field.

Stephen Fidler on plans for changes in the private placement market

Wall St faces paperwork revolution

TWO PROPOSALS from US stock exchanges could transform the way in which big institutional investors do business, with important consequences for the international capital markets.

The proposals from the American Stock Exchange and the National Association of Securities Dealers would dramatically alter the private placement market in the US, where large institutions buy and sell securities which are not registered with the US Securities and Exchange Commission.

Registration with the SEC is necessary for all publicly offered issues of stocks and bonds, but there is a long-standing path through the private placement market which allows issuers to by-pass the lengthy and cumbersome registration procedures.

The problem is that, although expanding in relation to the public markets as investment power become increasingly concentrated in the hands of big investment institutions, the private placement market itself is costly and difficult to enter. Each private placement incorporates a mountain of paperwork, needs special legended securities and investment letters and incorporates strong restrictions on how the securities may be transferred. Moreover, there is little transparency in the market for those institutions which wish to sell their investments.

The two proposals, now being considered by the SEC, attempt to address these problems. The Amex filed the details of its Situs system with the SEC late last year and says it is in a position to launch it by the end of the year if its gets the go-ahead. The NASD

Joseph Hardiman: estimates market at more than $50bn

filed last month to operate its Portal system, which it says is scheduled for operation by the end of the first quarter of next year.

The two systems are slightly different. The Amex proposal only envisages a system which would facilitate private placements by foreign issuers, although there is no technical reason why Situs could not be used for domestic issuers in the way proposed by the NASD – which operates the screen-based Nasdaq stock market.

They also differ slightly on who would have access to the unregistered securities, NASD's proposal defining the market somewhat more widely to include, for example, rich individuals with net worth of more than $50m. Qualified investors in Portal would, it is proposed, include institutions such as banks and insurance companies with assets of over $5m, registered broker-dealers with excess net capital of $5m, and investment advisers with discretionary authority over at least $50m.

The SEC's overriding concern is always the protection of retail investors, and to address this the systems must ensure that none of the unregistered securities "leak" into the domestic retail market. This is done by immobilising the issues in depositaries, in a manner which would allow, for example, the sale of securities to buyers outside the US.

The systems also aim to provide a central marketplace for primary distribution of securities, a cost effective and more transparent secondary market, and a capability to quote, confirm and settle issues in various currencies (Amex also envisages automatic execution of transactions).

Both are talking to the International Securities Clearing Corporation to settle the thorny and complex issues of clearance and settlement, which in the case of non-US securities are subject to widely different procedures.

Not only do the systems propose a better trading system for private placements and the possibility of getting rid of the baggage that encumbers the market, they also necessitate a sharper definition from the SEC of what constitutes a private placement. These hint on to other issues also being considered by the SEC, such as the agency's draft proposals for a Regulation 'S', the changing of rules on who may buy foreign securities.

They also require a definition of what constitutes an "outer limit" on privately placed offerings: does an offering, for example, of unregistered securities to 150 qualified investors still constitute a private placement or a retail distribution?

A belief that the SEC is, in an increasingly international market, realising the limitations of its power has encouraged optimism that it will deliver a positive response to the proposals. Since the private placement market already exists, the agency would not be able to turn down the application simply because it made the private placement process more efficient.

The size of the private placement market in the US is difficult to estimate since it involves what are, by definition, unregistered securities. Amex estimates that between 75 and 100 institutions in the US are involved in the private placement of foreign securities, and believes this would expand significantly as the market became more efficient.

Mr Joseph Hardiman, president of Nasdaq, estimates that the worldwide primary private placement market is worth some $50bn annually and the secondary market is bigger still.

The longer-term consequences of such systems, however, are potentially significant and there are already voices suggesting they are a worrying development. The growth of a low-cost efficient private placement market with access to the main market investors could squeeze the traditional public markets: the spectre of a two-tier market in securities in the US is already haunting those whose livelihood is tied to the traditional stock exchanges.

Japanese bankers to back futures market

THE FEDERATION of Bankers' Associations of Japan plans to call for the establishment of the country's first futures market in Tokyo next March, with trading to get under way in June, AP-DJ writes.

The federation is also to ask its special financial futures committee to create a panel to study the possibility of setting up another market in Osaka, in western Japan.

The decision concerning the Osaka futures market appears to represent a change in the federation's stance. Last month, Mr Kazuo Ibuki, its president, indicated the market should be located only in Tokyo.

Asserting that the federation should be primarily responsible for the creation of the market, Mr Ibuki, who is also president of Mitsubishi Bank, said the group could not ignore economic realities, including the fact that both Japanese and foreign institutional investors were principally based in Tokyo and that the country's financial infrastructure was also in the capital.

However, the federation said that it would consider establishing an Osaka market after examining how the Tokyo futures exchange would develop.

According to officials, the creation of the Osaka market could follow about two years after trading in Tokyo started. They said it was possible that Tokyo and Osaka might deal in different futures instruments.

Business leaders in the Osaka area have already expressed interest in opening a futures market in the Kansai region, that includes the city of Osaka.

Parliamentary bills covering financial and securities futures, which were passed last May, cleared the way for futures market in the country. Among other things, the bills provided for the creation of a new exchange where currency and bank deposit futures would be listed.

According to the federation's plans, futures trading in Tokyo, commencing in June, will deal in short-term yen interest futures, short-term dollar interest futures and yen currency futures.

The unit of trading in yen futures will be Y100m ($738,552) and that in dollar futures $1m. The unit of trading in yen currency futures will be Y12.5m. The contract months in all three will be March, June, September and December.

The federation will set detailed trading regulations, begin construction of the exchange and invite membership applications all in the second half of the year ending next March.

UK COMPANY NEWS

RENTAL SIDE DOES BETTER THAN EXPECTED WITH MARKET DECLINE SLOWING

Granada rises 27% to £58.3m

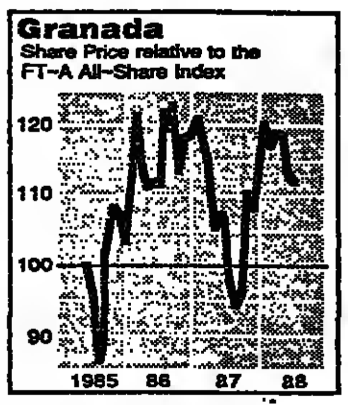
BY NIKKI TAIT

Granada, TV, leisure and business services group, yesterday reported a 27 per cent increase in first half profits at £58.3m, slightly lower than the more optimistic City forecasts. The shares slipped 4p to 316p.

The figures for the 28 weeks to April 16 take in a 3½ contribution from Electronic Rentals Group, TV and video rental/retail business, acquired for £250m in December, and earnings from the much smaller Mainstay computer servicing business for 2½ months. Making a first full contribution were Laskys, electrical retailer, purchased in October 1986, and WSL, holiday business, acquired in May 1987.

Last year's figures included certain European TV and video rental businesses which have since been shed.

Yesterday, the company declined to break out the ERG contribution, but pointed to City estimates which suggest a £5m benefit at the pre-tax level. Mainstay's contribution was described as immaterial whereas WSL, heavily seasonal, mede a very small first-half loss, and Laskys broke even.



Earnings per share advanced 12 per cent to 11.9p on a fully-diluted basis after an unchanged 38 per cent tax charge. The interim dividend goes up 14 per cent to 4p a share.

Within the operating profit total of £68.1m (£52.4m), scored on sales of £715.5m, the rental and retail division continued to make the largest contribution. Profits, helped by ERG, rose to £34.9m (£27.1m) on sales of £359m.

Derek Lewis: retail margins under pressure

Mr Derek Lewis, managing director, said that the rental side had done better than axpected with the decline in the rental market generally showing signs of a slowdown. Retail suffered from margin pressure, due te pre-Christmas overstocking at rival chains.

Granada plans to close about 185 shops in the wake of the ERG acquistion, leaving about 865. Both the Granada and the Visionhire names will he kept. The physical integration work should be complete by September, but the company says that it will be 1988/89 before the significant cost-savings feed through to profits.

On the television side, operating profits were up from £10.5m to £13.6m, on sales of £122m. Advertising revenue showed a strong advance, with the company's market share recovering to about 10.9 per cent.

In the leisure division, profits rose from £9m to £12.2m. The hingo side enjoyed a 1 per cent rise in admissions, a delayed response to the national game and refurbishments, suggested Mr Lewis. Motorway services also performed well.

Business services – ahead of the £110m DPCE acquisition in May – made £4.3m (£2.8m). Having started to integrate DPCE, Granada said the initial signs were very positive.

Gearing at the halfway stage remained above 70 per cent, and the interest charge cost £9.8m (£6.5m). However, the company sees some significant disposals from within ERG.

See Lex

Aurora in agreed £1.8m bid for North British

BY DAVID COHEN

Aurora, Sheffield-based engineering company, has emerged as the bidder for North British Steel Group (Holdings) and said yesterday that its £1.83m cash offer had been endorsed by the foundry company's board.

The offer is pitched at 35p a share, 3p lower than the price at which North British shares were suspended last Wednesday after it announced a takeover epproach.

Trading resumed yesterday at 34p but the shares later crept np to close at 37p. Aurora's share price was unchanged at 104p.

Aurora has received undertakings of acceptance from holders of 30.3 per cent of the equity.

In addition, Aurora has acquired, at a discount, the 1m £1 North British preference shares previously held by Royal Bank of Scotland.

Mr Douglas Morton, Aurora managing director, said the offer reflected his company's need to relocate its Meadowhill steel foundry business by January 1989. Sale of the site for £15m was agreed in September 1986. There was also significant rationalisation potential.

Last month, North British announced a pre-tax loss of £275,000 for the 28 weeks to April 16, with sales down by £860,000 to £6.69m. The company had been reorganising operations but said full benefits were only likely to become apparent after August. No divideod has been paid since 1983.

Frazer-Nash

Frazer-Nash, hi-tech engineering group, reported pre-tax profits of £1m for 1987, a 29 per cent improvement on the previous £778,000.

Turnover rose by 26 per cent to £18.62m (£14.72m). The proposed dividend is stepped up by 5p to 13p and earnings per £1 share rose from 57p to 68p after tax of £386,000 (£308,000).

Hammerson makes £30m property acquisition

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Hammerson, the third largest of the British property investment groups with a portfolio of £1.6bn, has made its largest acquisition for two years.

It is boying the headlease of the Merseyway shopping centre in Stockport and the freebold of an office and shop development in Chancery Lane, central London for £30m, from the Church Commissioners.

Payment is in shares and cash. Hammerson will pay £4.75m in cash and issue the Church Commissioners 2.63m 'A' shares – those most frequently traded but with limited voting rights – and 735,080 ordinary shares et a price of 750p each.

This is a premium of 109p over the market price of the shares before the announcement. Yesterday Hammerson shares were marked down to close at 636p, a fall of 5p.

The purchases are a consolidation of the Hammerson portfolio. The group already has leases from the Church Commissioners at Merseyway, one of the most successful Hammerson shopping centres with 320,000 sq ft of space. With purchase of the headlease it gains a rent entitlement of 50 per cent of the occupational leases, worth £1.68m a year, and the opportunity for a substantial refurbishment of the centre.

At Chancery Lane, where Hammerson already bas the beadlease, it is buying the freehold. The property, which has been refurbished contains 65,000 sq ft of offices and six shops.

In other property transactions:

- Speyhawk said it had sold 3M House, a 110,000 sq ft office building at Bracknell bought in 1986, to Datewood, a subsidiary of Hutley Holdings, for £16m. It will use the money to reduce debt and help finance its development programme.
- London and Metropolitan has signed contracts to buy the freehold of three snpermarkets, leased to Tesco, from Royal Insurance for £8.5m.

Harris bid expected today at near 190p

By Maggie Urry

The long-awaited bid for Harris Queensway, beleaguered furniture and carpets retailer, is expected today with speculation centring on a price of 190p. Yesterday its shares rose 3p to 176p.

The bid approach was first revealed early in May when Harris Queensway reported a plunge in profits for the year ended January. A fortnight ago a two-week deadline was put on the talks with Mr James Gulliver, the head of the consortium behind the bid.

Any offer will need the support of Sir Phil Harris, Harris Queensway's chairman, to have a good chance of success since he has a 16.5 per cent holding and has influence over a 23.5 per cent stake held by Great Universal Stores.

Analysts argue that 190p appears a high price for the business valuing the whole at nearly £450m. But that may be the price of Sir Phil's agreement, on top of allowing him to buy back part of the group. The net asset valne of the group, in the January 31 balance sheet, was £143m and even a property revaluation might not bring it as high as the offer price.

Mr John Richards, retail analyst at stockbroker County NatWest WoodMac, also points ont that since the negotiations started base rates have risen by two percentage points. With mortgage rates now expected to rise, Mr Richards says, the business could be be adversely affected.

Atlantic Assets scheme backed

By Nikki Tait

A revised reconstruction scheme for Atlantic Assets, the £150m investment trust managed by Edinburgh-based Ivory & Sime, yesterday won the whole-hearted backing of shareholders.

At an extraordinary meeting yesterday the proposals were passed on a show of hands. However, tbe company said that proxies were 99 per cent in favour.

The revised scheme gives sbareholders a cboice of switching into another existing investment trust, Independent, or taking shares in Ivory & Sime's offshore nnbrella investment company, the Atlas Fund. Independent shareholders have also approved the scheme – again with 99 per cent of proxy votes in favour.

An earlier, and more complicated, reconstruction scheme for the trust was voted down hy Atlantic shareholders in February.

Delta expands steel fittings operation

Delta, electrical equipment, engineering and industrial services gronp, is paying Sun Alliance £3m cash for Donald Brown (Brownall).

Described as an important supplier of stainless steel fittings for instrnmentation and control systems, Brownall, formerly part of Sun Alliance's National Vulcan subsidiary, operates from two manufacturing locations in the Manchester area. It has some 200 employees and in 1987 achieved sales of approximately £4.5m.

Delta already has a sizeable interest in stainless steel compression fittings through its Wade Couplings operation.

Lowe Howard-Spink in French merger

Lowe Howard-Spink & Bell is merging its French business with the advertising arm of Quadrillage, French communications group. Lowe is paying £600,000 and will hold 42 per cent of the new company which is expected to have billings of about £40m.

Lowe is also negotiating to obtain an 21.5 per cent interest in Quadrillage's public relations, promotion and direct marketing activities. The stake is expected to reach a majority by 1992.

Dagenham Motors £1m acquisition

For a consideration of up to £1.1m cash, the Dagenham Motors Group has acquired Seaway Motors, Ford car and van main dealership based in Gillingham, Kent.

Seaway made pre-tax profits of £226,000 in the year ended November 30 1987. Of the consideration £825,000 has been met; the second instalment of up to £275,000 will be paid wben net assets have been determined.

Cookson holding sparks flurry in Johnson Matthey shares

BY CLARE PEARSON

A FLURRY of speculative activity added some £145m to the market value of Johnson Matthey, precious metals and materials technology group, yesterday.

The shares rose 89p to 390p in the wake of Monday's late announcement that Cookson Group, involved in largely complementary businesses, had built np a 6.3 per cent stake.

Shares of Charter Consolidated, the quarrying and investment group which controls 37.8 per cent of Johnson Matthey, also participated in the rally, adding 51p to close at 413p. Cookson's shares, meanwhile, eased 10p to 262p.

Mr Michael Henderson, Cookson chief executive, declined to be drawn on whether his company was coosidering a bid for Johnson Matthey, reiterating the earlier announcement that its stake was a "strategic investment".

However, he added: "In all areas of Johnson Matthey's business, apart from platinum, we see a fit with our own. We both helleve in technology-based industry."

Rumours of a wide range of possible moves by the three companies circulated, ranging from an agreement where Charter would sell its stake to Cookson, to a bid by Johnson Matthey for Charter, and the contrary arrangement.

However, Mr Keith Irons, spokesman for Charter Consolidated, said: "We are not in the business of selling out. We have stood by Johnson Matthey through three difficult years and we see it as an integral part of our business."

Mr Neil Clarke, Charter Consolidated chief executive, is also chairman of Johnson Matthey, and the two companies have long been closely associated. It recently took advantage of an agreement reached three years ago, when Charter provided Johnson Matthey with finance, whereby it may increase its stake by 2 per cent per year without making a hid.

The finance was provided at the time of the rescue of Johnson Matthey's banking side hy the Bank of England.

Despite the fall in Cookson's share price, Mr Stuart Warmsley, chemicals analyst at Morgan Stanley, said the company could finance a bid valuing Johnson Matthay at about £700m – against last night's market capitalisation of £657m – with very little earnings dilution. Cookson, itself valued at £938m, has never launched a hostile bid.

Any hidder for the company would have to take into account the 36 per cent stake in Charter Consolidated held hy Minerals and Resources Corporation (Minorco). This Bermuda-based company is partly owned by Anglo American Corporation of South Africa, for which Johnson Matthey is the sole refiner and marketer of platinum from the Rustenburg mine.

Italian group taken under Guinness wing

By Lisa Wood

United Distillers, spirits operation of Guinness, is to acquire an 80 per cent stake in Wax, a subsidiary of Wax & Vitale, the main distributor of its prodncts in Italy.

The shareholding, understood to be worth around £3m, is in line with United Distillers' strategy of gaining greater control of its brands through acquisitions or joint ventures.

Wax & Vitale distribntes a number of the Britisb company's prodncts, including Johnnie Walker Scotch whisky and Gordon's Gin. United Distillers wants to improve the sales of hoth brands in Italy.

Mr Tony Greener, managing director of United Distillers, said: "With plans to invest significant marketing resources it is essential to participate in an organisation with long experience in the Italian drinks industry."

United Distillers has now almost completed the re-organisation of its distribntion on the Continent.

McAlpine £4m sale to Phoenix

By Clare Pearson

Alfred McAlpine, the construction and property group, is selling the Stoke-on-Trent timber company C.H. Smith and its subsidiary Charles Jones to Phoenix Timber, best known for its wood processing, for £4m in cash.

Phoenix sees the acquisitions as a way of expanding its timber importing, manufacturing, and distribution activities. C.H. Smith imports timber and manufactures scaffold boards, while Charles Jones specialises in making timber windows and stairs.

The purchase consideration has been satisfied by the payment of £2.4m in cash and the repayment by Phoenix Timber of £1.55m worth of indebtness to McAlpine.

In the year to end-October 1987, Smith made operating profits of £455,000 on sales of £5.9m.

McCarthy & Stone in French holiday move

BY NIKKI TAIT

McCarthy & Stone, sheltered housing specialist, is moving into the French holiday apartment business through a FFr 156.98m (£15.1m) offer for Merlin Immobilier, which describes itself as the fifth largest company in the country's second home market.

McCarthy has already agreed to purchase a 92.6 per cent stake (486,197 shares) in Merlin at a cost of FFr 309 per share, subject to French treasury approval. A similar offer is being made for the outstanding shares.

Merlin is based in Vincennes, just outside Paris, and building about 1,000 units a year. Its present construction programme includes sites in Normandy, tha Vendee, Languedoc, the Cote D'Azur, the Alps and the Pyrenees.

The French company, with a staff of 58, specialises in finding the sites and marketing the properties, bnt sub-contracts the building work. Its present land bank covers about 1,500 units, approximately 1½ year's work. Most of the apartments, which sell to buyers of all ages, are fairly small. Prices average as little as FFr 156,000 in the Pyrenees, rising to FFr 424,000 on the Cota D'Azur.

Merlin was incorporated in 1971, and joined the French "Second Marche" in 1982. However, as a result of tbe ill-bealth of founder Mr Guy Merlin, the family stake in the business passed to Banque Le Henin in early 1988, which immediately sought buyers.

In the year to end-December, Merlin made a pre-tax profit of FFr 14.9m (£1.4m) on sales of FFr 230m (£22.1m). Net assets stood at about FFr 155m. Net debt at the year-end was equivalent to £10m, although McCarthy said yesterday that this has since reduced to approximately £7m.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
CH Industrials	fin	3†	Sept 22	2.23	3.75	2.8
Granada	int	4	–	3.5	–	9.8
Johnson Fry §	int	1.25	-	1*	-	2.5*
Newman Tonks	int	3.4	Aug 11	3.2	-	7.7
Nobo Group	fin	3.52	Oct 4	3.25	5.28	3.25
Pepe Group §	fin	3	Oct 3	2.25	4.5	3.75
S & N	fin	6.44	–	5.54	9.14	7.95
Tex Holdings	fin	5.25	Sept 14	3.5	7†	5
Total Systems §	fin	0.75	Aug 25	-	0.75	-
Vosper Thorny	fin	0.63‡	Sept 15	-	0.63	-
Welpac	fin	0.55	Aug 19	0.35	0.55†	0.35

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡Special payment indicated at time of March flotation.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Securiguard, Southern Business, Television South.

Finals- Baker Harris Saunders, Birmingham Mint, Chemoxy Int'l, First Security, Hogg Robinson, Holtas, Logitek, Monks & Crane, Rowe Evans Invs, Stewart & Wight, Tiphook, RW Toothill.

FUTURE DATES

Interims-

Norfolk House ... July 14
Palma ... Aug 22
Sycamore ... July 8
Task Force ... July 15
Updown Inv ... July 26
Widney ... July 19

Finals-

Atlantic Assets Trust ... July 21
Barbour Index ... July 14
Breaway ... July 19
Clarke Hooper ... July 26
Dee Corp ... July 25
House Prop Co of London ... July 7
Independent Inv ... July 21
Kenyon Securities ... July 27
Knobs and Knockers ... July 11
Logitek ... July 8
Selective Assets Tst ... July 21
Tinsley (Eliza) ... July 14
Waterglade Int'l ... July 7

S&N advances by 25% in line with forecasts

BY LISA WOOD

Scottish & Newcastle Breweries, in which Elders IXL has an 8.92 holding, yesterday announced pre-tax profits of £113.1m for the 52 weeks to May 1, an increase of 25 per cent on the previous year's £90.3m.

The results, in line with City expectations, included a six months contribution of £2.2m, after estimated financing costs of £2.4m, from Matthew Brown, Blackburn brewer, acquired last year.

The directors recommende a final dividend of 6.44p, an increase of 16.2 per cent, for a total of 9.14p (7.95p). Earnings per share rose to 20.3p compared with 18.3p.

Sir David Nickson, chairman said: "For the sixth consecntive year we are able to report strong profit growth. Since 1982 profit before tax has increased on average by 23 per cent per annum."

The drinks and public house house division contributed an operating profit of £108.9m, compared with £88.7m in the previous year. In the on-trade the volume of beer sales were flat. This was attributed to some lost volume because of restructuring at Home Brewery and a difficult Scottish market.

Loans to free-trade customers increased to £104.4m compared with £89.1m in the previous year.

Beer sales in the take-home trade, which accounts for about 20 per cent of S & N's sales, were up in line with the market with brands performing well.

Mr Alick Rankin, chief executive, said the prospects for Matthew Brown were good but the time required to sort out the business may be slightly longer than expected. Substantial investment, he said, needed to be made in Matthew Brown's public heuses.

The group's Thistle Hotels contributed an operating profit of £19.1m compared with £14.7m the previous year with occupancy up on the previous year.

An extraordinary credit of £2.8m came from the sale of a stake in Norfolk Capital Hotels.

S & N has been the object of considerable take-over speculation with City rumours last week of a stake in S & N by Bass, a major competitor. Mr Rankin said yesterday that he had no knowledge of a shareholding in S & N by Bass.

See Lex

Newman Tonks moves up 17%

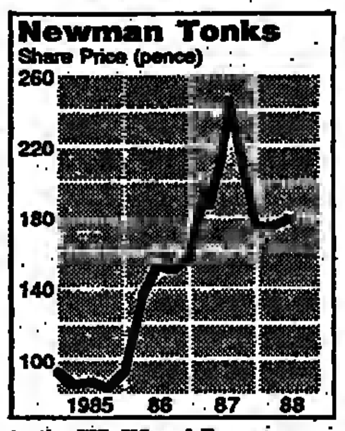
BY RICHARD TOMKINS, MIDLANDS CORRESPONDENT

Newman Tonks, door controls and building snpplies group recently defeated in its bid for Henderson Group by Hepworth Ceramics, yesterday turned in a 17 per cent rise in pre-tax profits from £6.13m to £7.19m for the half year to April. Turnover increased by 6.5 per cent to £70.4m.

Earnings rose 22 per cent to 6.96p. The interim dividend is raised by just 0.2p to 3.4p in line with the gronp's policy of increasing the proportion of profit going to reserves. Net bid costs of £300,000 were taken below the line.

Discounting the effect of acquisitions and disposals, the underlying businesses increased turnover end profits by more than 15 per cent in spite of an adverse shift in the average dollar/sterling exchange rate.

Newman was in talks for three potential acquisitions, one each in the UK, US and Europe.



● **comment**

The abortive bid for Henderson left Newman Tonks with more than a smidgeon of egg on its face, but on present form the full-year figures should help to make amends. In the UK, still providing about 80 per cent of group sales, the buoyancy of the commercial market and a favourable regulatory environment are continuing to stimulate demand for the company's products, while Monarch in the US has increased market share from 1 per cent to 8 per cent in six years and is set to benefit from a dollar/sterling exchange rate now looking more kindly on its profits. Tonks's lack of exposure to the domestic market eases fears that it could be a casualty of rising mortgage rates, so a full-year out-turn of £16.5m begins to look likely. At 180p that leaves the prospective multiple of nearly 11.5 looking a touch parsimonious for a company hoasting above average yield and earnings growth.

Caird withdraws £7.6m offer for Wistech

Caird Group, the property development and waste disposal company, has withdrawn its original £7.6m offer for Wistech, a specialist cleaning and materials handling group.

A spokesman for County NatWest, Caird's advisers said that the offer was subject to a precondition that the auditors report on Wistech was satisfactory. Caird does not feel that the report satisfies the original valuation.

However, Caird has tabled proposals for an alternative offer which the Wistech board is considering.

It seems inevitable that any revised offer will he lower given that Wistech, which is qnoted on the OTC market, yesterday reported a loss of £444,000 in the six months to end-March.

The deficit compared with a loss of £182,000 in the same period last year and a profit of £401,553 in the full year to end-September 1987.

Turnover for the six month period rose to £5.82m (£3.89m).

Pilkington lifts Finnish holding

Pilkington, UK glass manufacturer, has increased its shareholding in Lahden Lasitehdas, a Finnish glass company, from 44.4 per cent to 71 per cent.

The Helsinki government has sold its one-third stake in Lahden for FM 44.3m (£6m). Other shareholders also bought part of the state's holding. They include Finnish insurance companies Pohjola and Ilmarinen, which together have 18 per cent, and Lohja, a building materials group.

Price competition forces MBS out of wholesaling

MBS, the largest UK distributor of personal computers, yesterday announced that it was withdrawing from its wholesale business as a result of intense price competition, writes Vanessa Houlder.

The withdrawal was a "tough but correct" decision, said Mr Stafford Taylor, chief executive. He said that pressure on margins followed IBM's decision at the end of last year to increase the number of UK distributors from two to eight. With just 400 dealers in the UK, no company would make money until the number of distributors were reduced to three, he said.

The closure of the Warrington-based PC distribution arm was not expected to entail heavy costs although there would be several redundancies, said Mr Taylor.

About £15m of working capital, tied up within the wholesale side would be available to fund more profitable parts of the group's activities, such as selling direct to companies, in which gross margins were three times those of the trade sector, he added.

MBS was rescued at the end of the 1985 via a management buy-in by two ex-IBM executives, after intense price competition in the microcomputer market pushed the group into the red. After a period of heavy rationalisation, MBS reported tripled profits of £5.15m for 1987.

UK COMPANY NEWS

Sunny days help profits at CHI double to £9m

BY CLAY HARRIS

SUNNY DAYS for car sunroofs helped CH Industrials to achieve pre-tax profits of £9.33m in the year to April 2, more than double the £4.31m result reported for the previous 12 months. Turnover rose by 97 per cent to £110m against £56m.

The acquisitive industrial holding company's fully diluted earnings per share advanced by 36 per cent to 12.67p (9.32p).

CHI's specialist engineering and design division nearly trebled sales to £44.5m and profits to £4.2m, reflecting not only the strong demand for Tudor Webasto sunroofs but also contributions from five acquisitions during the year.

Profits from chemical and polymer products showed an unexpected decline to £1.33m (£2.05m) as a result of a £231,000 loss at Calnay, a manufacturer of polythene sheeting for agricultural uses and building film. This was attributed to raw material shortages as well as competitive pressures on margins.

This fall was offset, however, by a higher-than-expected contribution from property development and investment, largely through CHI's share of associate companies' profits.

CHI's largest acquisition last year, the carpet gripper and flooring accessories group Gripperrods, exceeded the forecast £2m half-year contribution. This helped the household products and furnishings division to report profits of £2.56m.

The group's fifth division, office products and shopfitting, lifted profits by 34 per cent to £1.81m.

A tax charge of £2.52m (£815,000) reflected an effective rate rising from 24.9 per cent to 27 per cent.

Minority interests – 15 per cent of motor designer Aston Martin Tickford and the West German-owned 50 per cent of Tudor Webasto – rose to £610,000 (£270,000). A US legal settlement produced a £47,000 extraordinary credit (nil).

The proposed final dividend of 3p will raise the total to 3.75p (2.8p), ahead of the 3.35p forecast at the time of the Gripperrods deal.

● comment

Holding 21 per cent of taxicab maker Manganese Bronze Holdings, after a recent topping-up purchase, and 6.3 per cent of engine designer Ricardo Consulting Engineers, CHI's chairman Tim Hearley continues to play his cards close to his chest. Although either or both would fit well into the group, there is no reason for precipitate action. Equity accounting the Manganese staka should contribute more than £1m this year, well in excess of the holding cost. With gearing of only 30 per cent, CHI has several small acquisitions in the pipeline already, and larger targets are getting more than e once-over from its opportunistic eyes. The only cloud is tha polythene operation, where heavy investment is one option being considered. However, patience with losses will not stretch to another year, so a disposal cannot be excluded if the market doesn't improve smartly. Excluding acquisitions, pre-tax profits should rise to £14.2m. Considering the management's record, the prospective fully diluted p/e of 10.4 is undemanding.

Evans Halshaw increases Ford dealerships and calls for £18m

BY CLAY HARRIS

Evans Halshaw Holdings, Birmingham-based motor distributor, is to pay £7.5m in cash for three Ford dealerships owned by Norcros, the industrial holding company. It also launched a five-for-11 rights issue yesterday to raise £17.6m.

The acquisition of UBM Motors will make Evans Halshaw the first UK group to own eight Ford dealerships, following the manufacturer's decision to increase the upper limit from five.

Evans Halshaw was Ford's nominated buyer for the outlets in Bristol, Exeter and Winchester. The new dealerships will give the company its first presence in the south-west and raise its total number of franchises to 32.

Norcros acquired the dealerships in 1985 as part of the UBM builders merchants group. UBM Motors achieved an operating profit of £1.2m on turnover of £49.5m in the year to March 31. The transaction involves assets valued by Evans Halshaw at £9.28m, but carried in Norcros's books at £8.3m.

Evans Halshaw yesterday forecast pre-tax profits of £3.6m for the six months to June 30, a 50 per cent increase on the comparable interim result. It forecast an interim dividend of 3p and a final of 6.5p to make a total 36 per cent higher than the 7p paid for 1987.

The rights issua, Evans Halshaw's first since coming to market in May 1986, will eliminate the group's borrowings.

Shares are being offered at 282p, compared with yesterday's market price 3p lower at 340p. The issue is underwritten by Phillips & Drew, Evans Halshaw's stockbroker.

Pepe boosts margins and profits rise 42%

BY FIONA THOMPSON

Pepe, USM-quoted leisurewear group, yesterday reported pre-tax profits 42 per cent ahead at £8.41m for the year to March 31.

The advance from £5.91m was made on sales of £72.24m (£52.24m). Earnings per share rose by 43 per cent to 22.8p (15.9p).

Pepe designs, imports and wholesales jeans and a range of casualwear in the UK and overseas under the Pepe, Hard Core and Big Stuff brand names. The company, which has its origins in the early 1970s in two market stalls in London's King's Road and Portobello Road, has had an excellent year, according to Mr Roger Rowland, chairman. The Pepe brand continued to perform well and improved margins substantially, he said.

Roger Rowland – envisages international expansion

UK sales amounted to £40m, the rest of Europe, £20m, the US. £10m and Australia and Asia just over £2m. UK sales grew by more than 10 per cent, while the US was affected by the market slow down after the crash but reported good profits growth. The Australian subsidiary had established itself quickly.

The one troubled area during the year was Buffalo, the French clothing company acquired in February 1987. A problem with one of its fabric suppliers – getting the colours wrong and flaws in the fabric – and selling prices lower than anticipated prompted the company to resite the business, cut stock and employees and strengthen management. The result was a trading loss of £2.3m but Buffalo's break-even point has now been reduced by 30 per cent and it was now trading profitably.

Pepe is also now sourcing between 50 and 60 per cent of Buffalo's range in Greece. All the Pepe, Hard Core and Big Stuff clothes are manufactured in Hong Kong, India and Taiwan.

The company's present European markets include France, West Germany, the Netherlands and Belgium. This year it will expand into Scandinavia and Switzerland. It is also looking at Spain and Italy and keeping an even closer eye on Japan.

Tax took £2.88m (£2.01m). A proposed final dividend of 3p makes a total of 4.5p (3.75p).

● comment

Pepe has a 5 to 6 per cent share of the UK jeans market, third in line after Levi's 18 per cent and Lee/Wrangler's joint 15 per cent – yet spends only a fraction of what the big boys do on advertising. The company has shown historic growth of 30 to 40 per cent per annum and compound growth of 25 per cent per annum for the next five years is not impossible; a pretty good success story for the business that began on a market stall 15 years ago. Having put the Buffalo problem behind it, the target now is to boost US sales and consider the Japanese market. The strong pound boosted these figures probably by about £500,000. Assuming the same this time, pre-tax profits for this year look like £11.5m, putting the shares, which closed 18p up at 320p, on a prospective p/e of 10.5, frankly cheap for a company showing this sort of growth.

Extention on bid for Rowntree

By Nikki Tait

Nestlé, the Swiss food giant, yesterday extended its £2.55bn bid for UK sweets manufacturer Rowntree to July 18. By Monday afternoon, the Swiss company either owned or had valid acceptances in respect of 47.8 per cent of the shares.

However, on a fully diluted basis and adding in shares for which valid cover has yet to be received, Nestlé says that its control would rise to 53.6 per cent.

Queens Moat expansion

Queens Moat Houses has exchanged contracts for the acquisition of 64 per cent of Archer Securities via the issue of 1.35m ordinary shares (valued at 107p) and a cash consideration of £555,915. Certain options over 767,934 Archer shares will also be purchased on the same basis, putting an overall value on the company of £3.5m.

Archer, which trades as the Metropolitan Club Gronp, achieved pre-tax profits of £215,000 for 1987 and is on budget to make £500,000 in the current year.

ISSUE NEWS

BY PHILIP COGGAN

Tinsley Robor comes to market valued at £13m

Next time you put Queen's Live Magic or Kate Bush's Lionheart on the turntable, you will be handling the wares of Tinsley Robor. The company is the largest supplier of record sleeves and compact disc packaging to the UK music industry.

Now the specialist printing and packaging group is coming to the market via a placing which values the company at £13.1m. Granvilee is placing 10.07m shares, around 40 per cent of the equity, at 52p each.

The company was recently reorganised into three divisions – packaging, which prints cartons and labels, mainly for retailers and manufacturers in the food and drink sector; promotional printing, which supplies the music business; and printing machinery, where the group has a distribution business.

Pre-tax profits on continuing activities have grown, with a dip in 1984/5, from £493,000 in the year to March 31 1984 to £1.81m last year, while turnover has risen from £15.8m to £32.6m over the same period. The shares are on an historic p/e of 9.5 at the placing price and the notional gross dividend is 5.1 per cent.

Glasgow Income Trust to join main market

Glasgow Income Trust, an investment trust specialising in high yielding UK equities and convertible preference and loan stocks, is being launched on the main market.

The trust will be managed by Glasgow Investment Managers, a subsidiary of Edinburgh Financial Trust. It will aim to give an annualised yield of 7.5 per cent in the period to September 30, 1989 and thereafter its objectiva will be to yield 75 per cent more than the All-Share Yield Index.

Every five years shareholders will have the option of continuing or winding up the trust.

EFT is fully underwriting an offer for subscription of 29m shares at 50p each to raise a net £13.79m for the trust. The shares will carry warrants entitling the holder to subscribe for further shares, on a one-for-five basis, at 55p each between 1992 and 1994.

Around 74 per cent of the issue is being pre-placed with private client stockbrokers and management groups. Applications are being invited for the remainder, with a minimum of 500 shares.

● comment

This is the right time to be launching an income trust, after the Budget changes which put taxation of capital gains and income on close to the same terms. In recent times, high-yielding funds have also proved successful in providing capital growth; that does not mean, of course, that they will always do so. Nevertheless, Glasgow Investment Managers, while a new name, has some old hands behind it and the offer is likely to have no difficulty in getting away successfully.

Market flotation gives Erostin £36m price tag

Erostin Group, property development and construction company, is joining the main market in a placing which values the group at £36m. Erostin concentrated in its early days on residential development but in recent years it has become invclved more and more in commercial developments, including the Milton Keynes Marina and a retail park in Corby.

Pre-tax profits have grown from £213,000 in the year to April 5 1984 to £4.11m last year whilst turnover has risen from £3.55m to £26.4m over the same period. For the year ending April 5 1989, Erostin forecasts profits of £6.2m.

Hoare Govett is placing 5.6m shares, 25.5 per cent of the equity, at 165p each, putting the shares on a prospective p/e of just under 9. The forecast gross dividend yield is 4.4 per cent.

●Rockfort Gronp: the offer for sale of the shares in the Reading-based property developer, was just fully subscribed when applications closed on Monday. Kleinwort Benson was offering 17.64m shares at 140p each and received applications for 18.49m shares, which means that investors will receive substantially what they applied for.

York Waterworks oversubscribed

The offer for sale by tender by York Waterworks of £3m of 7.5 per cent redeemable preference stock 1997 has been oversubscribed, with applications being received for £4.42m-worth of stock, writes Nikki Tait.

The highest tender was at £123, and the lowest price accepted was £100.76. The average price obtained was £101.04.

Unlike some of the recent issues of the water companies' stock, this did not carry any voting rights – and hence was never likely to attract any of the recent stake-builders in the industry.

Mining & Allied £0.35m acquisition

Mining & Allied Supplies, West Midlands-based engineer, is to pay £350,000 for Murphy-Taylor Engineering, a former sub-contractor to Mining's original Westwood Dawes business.

The consideration for Murphy will comprise £300,000 cash on completion and the issne of 200,000 new Mining shares on July 41989.

Fairbriar

Fairbriar, residential and commercial property developer, has acquired a three acre office development site in Bournemouth and a further 5.5 acres in Weymouth for a total £8.5m.

TVS gets French backing for £188m US purchase

BY RAYMOND SNODDY

CANAL PLUS, a French pay television channel, is to take a significant slice of the financing package being put together to fund Television South's $320m (£188m) acquisition of MTM, a US independent production company.

TVS, the ITV franchise holder for the south of England, intends to finance its most ambitious deal so far with a mixture of equity, convertible loan stock and debt.

But the presence of Canal Plus, Europe's first pay television channel, emphasises the international aspects of the deal which will simultaneously increase TVS's penetration of both the American and the European television markets.

Canal Plus, which uses normal transmitters to broadcast a subscription service based largely on films, sport and serials to subscribers who pay a monthly fee to receive the service, is the dramatic success story of French television.

By last month the Canal's share price reached a peak of FFr550 (£53) compared with the offer price of FFr275 during the November flotation on tha French unlisted securities market. The company, which incurred a loss of FFr330m in 1985, its first full year, is now one of the top 25 French compmaies in terms of capitalisation.

The presence of Canal Plus will lend extra credibility to a deal in which TVS will have to raise much more than its market capitalisation of around £120m.

Full details of the acquisition of MTM, best known for programmes such as Hill Street Blues and St Elsewhere, and how it is to financed, will be announced by Mr James Gatward, TVS chief executive, at a press conference this morning.

TVS shares hava been suspanded on tha Stock Exchange since last Thursday when the deal was agreed.

If, as seems likely, it goes through it will almost certainly make TVS, a company only incorporated in 1980, the largest ITV company if the non-television interests of Granada are excluded.

Clayform edges up Stead & Simpson stake

Clayform, the property group which is waging a £108m contested bid for Stead & Simpson has nudged up its stake in the shoe retailer and motor group. Following the purchase of a further 5,300 ordinary shares at £14.50, Clayform now holds 35.9 per cent of this voting share class.

The predator also has acquired a further 50,880 "A" shares, and holds a 10.8 per cent interest in the non-voting equity.

The bid, which has been declared final in the absence of a competing offer, closes on July 13.

Nobo advances 34%

Nobo Group yesterday reported pre-tax profits up by 34 per cent for the year ended April 30 1988.

On a turnover ahead 42 per cent to £13.62m, this producer of office and business equipment lifted its profit to £2.64m (£1.98m).

A total of 25 new visual aids products were launched on the market in 1987, and a further 25 will be released this year.

Earnings in the year came to 17p (13.6p) and the final dividend is 3.52p for a 5.28p total. Last year 3.25p was paid, but that would have been 4.75p had the company been listed for the full year.

Tex jumps to £1m and plans further expansion

REFLECTING the results of consolidation and progress made previously, the Tex Holdings abrasives, plastics, and engineering group experienced rapid growth in the year ended March 31 1988, and has plans to expand further.

In the year the group increased turnover by 40 per cent, from £6.84m to £9.56m, while the pretax profit more than doubled, from £452,000 to £1m. Figures included Quinton and Kaines for the full year, and comparisons have been adjusted. The dividend is raised 2p to 7p, with a final of 5.25p.

Policy is to expand as a broadly-based industrial group supplying a range of consumables to industry. Growth will come from development of new products and markets within the businesses, and by acquisition of specialist companies.

Shareholders' funds totalled £3.59m, with no horrowings. Liquidity amounted to £1.1m, providing a sound base for expansion, said Mr Richard Burrows, chairman.

He added that in the opening two months of the current year turnover and trading were substantially ahead. The increase in trading would benefit from the acquisitions made since March - West Country Plastics, West Country Tooling, and Atkinsons (Timber & Board) Importers.

Coupled with the increase in capacity being made available at BSP and Quinton and Kaines, he was confident the trend of increased activity would be maintained throughout the year.

Earnings for the past year were almost doubled to 14.6p. There was also an extraordinary credit this time of £517,000, being the profit on sale of property.

Total Systems on target

Total Systems, computer systems and services supplier, narrowly exceeded its profits forecast for the 12 months to end-March.

In its first set of results since joining the USM in March this year, Total Systems unveiled pre-tax profits of £835,265 — a 68 per cent expansion on the previous year and some £10,000 above forecast.

Turnover rose to £2.88m (£2.14m). After tax of £276,714 (£177,248), earnings per 5p share worked through at 5.58p, up from 3.21p last time. Flotation costs amounted to £132,134 and were taken below the line.

As forecast in the prospectus, a dividend of 0.75p is recommended for the year.

Johnson Fry doubles at midway

By Vanessa Houlder

Johnson Fry, the financial services group, yesterday announced a doubling of profits for the half year to April 30 1988 to £1.42m. At the same time, it unveiled an acquisition of Golding & Partners, a Bristol-based financial services business, for a maximum £4m.

The acquisition of Golding, which is principally concerned with unit trusts and investment bonds, will double the size of financial services.

The deal is in line with Johnson Fry's strategy of acquiring provincial companies, which are expected to make use of its range of products and 64,000-strong mailing list. In addition, Golding's £25m of funds under management may lead to economies of scale in the group's investment management business.

An initial payment of £2m will be followed by additional amounts, dependent on profits, up to a maximum of £2m. Payment will be made in shares, although 720,070 of those will then be placed.

Golding's profit before tax and distribution to partners totalled £640,000 for the year to April 30.

Johnson Fry's pre-tax profit of £1.42m was achieved un turnover that rose more than four times to £10.4m (£2.4m) - an increase that reflected a heavy investment in cars with e acquisition of City Rentals.

About two-fifths of profits were generated from fees from Enterprise Zone investments, a new business built up since Johnson Fry bought the Colegrave Group last October.

Fees from Business Expansion Schemes, for which Johnson Fry is the leading sponsor, were responsible for about a third of profits. The total raised this year under the BES was likely to exceed the £60m of last year.

The financial services business, responsible for a fifth of profits, had a reasonable year. The unit trust business was severely hit by the crash.

Both the mergers and acquisitions and car leasing businesses made a loss, although both are expected to be profitable in the next half.

Fully diluted earnings per share increased by 38 per cent to 6.91p (4.99p). The interim dividend has been raised by 25 per cent to 1.25p.

Vosper Thornycroft tops forecast with increase to £8.5m

BY CLARE PEARSON

Vosper Thornycroft Holdings, the warship builder which is currently awaiting news on a big order from Saudi Arabia, yesterday unveiled profits comfortably ahead of the forecast made when it returned to the market four months ago.

Profits for the year to March 31 amounted to £8.53m, against the forecast £8.1m. Both figures took into account the exceptional reallocation of £2.75m to the previous year of allowances no longer needed. Excluding this adjustment, the pre-tax profit figure was £11.28m.

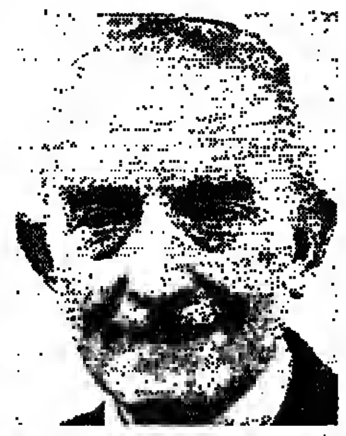
Mr Roy Withers, chairman, said he was "very hopeful" of the group being awarded the contract, worth up to £250m, from Saudi Arabia for minehunters. This would double its order book. But he could not say when a decision was likely to be made.

Adjusted earnings per share came out at 19.1p (12.7p). There is a 0.625p special dividend, payable in September to ordinary shareholders registered by August 5.

Vosper, which was bought by its management from British Shipbuilders in 1985, specialises in glass-reinforced plastic minehunters but also makes steel ships. Approaching 50 per cent of its business is with the Ministry of Defence, although it also has a long history of exporting.

The order book currently has an average life of just over two years' work, following the award of an order last July to supply four Sandown class minehunters for the Royal Navy.

Vosper has recently embarked on a policy of diversification, taking an 80 per cent stake in a small industrial micro-electronics company and forming two joint ventures.



Roy Withers: very hopeful of Saudi contract

● comment

Vosper's share price has run up solely on speculation about the Saudi order recently, which was why it managed to slip back yesterday despite the encouraging results. Omens for the contract are certainly good: the company itself is as confident as it dares to be about eventual success; Vosper is the premier UK supplier of minehunters and the Royal Navy has been backing its case to the hilt; French competitors are said to have a bad record in supplying spares to Gulf states. However, even if the order came through tomorrow, Vosper, which only starts taking profits after it has reached the 30 per cent delivery level, would see little from it in the current year. Assuming it does not get the order, pre-tax profits are likely to emerge at only £10m or below in the current year, since the company expects to be making only relatively small scale deliveries. This puts the shares on a prospective p/e of about 9; the yield is nearly 6 per cent.

Welpac doubled at £0.9m

Welpac has doubled its profit to £931,000 from turnover ahead by 72 per cent in the year ended January 31 1988.

Mr Gerald Lavender, chairman, said production efficiency continued to improve, particularly in pre-packaging. The Shawe Group, acquired in March 1987, made an excellent contribution.

The group pre-packs hardware, DIY products and electrical goods, and makes lighting products. Its turnover came to £10.1m (£5.87m) while the pre-tax profit was £931,000 (£463,000).

Trade continued satisfactorily, the chairman stated, and he was confident of further organic growth.

Earnings in the past year worked through at 2.41p (1.6p) and the dividend is raised to 0.55p (0.35p).

COMMODITIES AND AGRICULTURE

Kenneth Gooding on the problems caused by inadequate stocks and volatile prices

Dangerous times at the metal exchange

THE LONDON Metal Exchange is highly volatile and even downright dangerous at present.

One major casualty is Hydro Trading which suffered losses of $12m when one of its clients, trading in aluminium, went bankrupt.

Hydro's managing director was replaced and the parent, Norsk Hydro, the 51-per-cent State-owned Norwegian group, pumped in $20m of new capital to help rastore confidence in its Lausanne-based subsidiary.

The root cause is the current world shortage of hase metals. For most of this year every LME metal contract (except ailver, which is of little consequence) has been in backwardation, the situation when users are so desperate for material that they are willing to pay a cash premium over the price for future delivery.

Normally the forward price would be higher, reflecting the extra cost of storage and so on.

Backwardations are not *all* that unusual hut the exchange has been concerned ebout the relative size of the premiums asked for immediate delivery – at one point recently the premium for cash aluminium was about one third of the price of three-months metal.

Backwardatioos of this size and price volatility make it difficult for producers and users to hedge their risks, which is the prime purpose of the market.

The board of the exchange was forced to taka emergency action in February when tha price of nickel for immediete delivery was forced up to an unprecedented level without any sellers appearing.

The afternoon trading session was suspended and action taken to limit the daily backwardation.

Since then the hoerd has closely monitored the nickel market and last month added copper and aluminium as metals it is watching carefully.

In another unprecedented move, after suggestions that copper and aluminium were deliberately being withheld, the hoard three weeks ago called together the members who belong to its clearing system and took them to task. Traders were urged to take a more responsihle attitude to making metal available to the market.

Mr Christopher Green, the exchange's urbana and erudite chairman, says: "We at the LME, *while guardians of an orderly* market, do not wish to be forced into interfering. in the meantime, we have to recognise that exaggerated price movements can exert undue harm on otherwise legitimate operators in the market and can damage the reputation of the exchange."

He insists that so far the board has found no evidence that the market is being manipulated – where someone sets out to create artificial circumstances from which he can profit. The current sqoeeze arises from a genuine shortage of metal.

Christopher Green – does not wish to be forced to interfere

Mr Green feels sure that it was simply a coincidence that on one *day in February there was no* seller of nickel for immediate delivery. Similarly, in May when a number of producers were short of copper to deliver against long-term contracts merchants were reluctant to release metal. They *feared* they might have to pay very large premiums to get it back later, to meet their own contractual obligations.

Mr Green believes the volatile conditions will remain throughout this year, driven hy the strength of the world economy.

In the meantime, he draws some satisfaction from the progress made since a new company formed after the tin crisis, the London Metal Exchange, took over the assets and management of the Metal Market and Exchange Company in August last year.

Perhaps the most dramatic change was the introduction in May, 1987, of a clearing system

Mr Green points out the exchange managed to preserve its traditional way of trading and ensure that profits and losses were not payable until the dne dates of contracts. At the same time, all deals are taken over and guaranteed by the Clearing House so that no clearing member can *suffer by the failure of* another clearing member.

This did mnch to restore international confidence in the exchange.

A new management structure has swept away the old committee of *management,* which effectively was a self-perpetuating board. Members of the new board must periodically seek re-election, and there are four invited members from outside to add a broader dimension.

In recognition that more than 97 per cent of its turnover comes from outside the UK, trade membership has been opened to foreign companies. And, as another sign that the exchange is determined to develop internationally, in September last year Singapore became the first LME listed delivery point outside Europe.

Mr Green says this internationalisation process has only just started. He wants to see more aluminium companies in membership, and more Japanese. *Talks have* been going on about LME aluminium warehouses in Japan and possibly in the US too.

Although in April this year the LME became a Recognised Investment Exchange under the terms of the Financial Services *Act, the exchange is still actively* campaigning for relief from the most inappropriate and costly aspects of the new regulations.

"The hulk of the LME transactions are at very low margins of profit for traders, typically commissions are less than 0.1 per cent, and we are worried about regulation driving up costs," says Mr Green.

Perhaps the most satisfying recent experience for the exchange and its chairman was a change of heart hy Inco, the Canadian gronp which is the world's major nickel producer and which fiercely opposed the introduction of the LME nickel contract in 1979.

In a vote of confidence in the LME, Inco has now joined the exchange as an associate member and given puhlic support to a contract which has cansed a great deal of controversy in recent months and will more than likely do so again before the year is out.

Digging deep for profits in Australia's mineral sands

David Blackwell reports on a New South Wales company which is branching out into Queensland

MINERAL DEPOSITS Ltd, the big Australian producer of heavy mineral sands, is planning to double production of rutile and zircon in 1990.

There is a growing world demand for the two minerals, which have recorded large price increases over the past two years. Rutile is the basis for titanium dioxide, which has replaced lead oxide as a pigment used mainly in paint and inks. Zircon is used for high accuracy optics, ceramics and refractories, where it can stand extremely high temperatures.

MDL's operation is currently centred at Hawk's Nest, north of Newcastle, in New South Wales, where production is running at about 30,000 tonnes a year for rutile and 20,000 tonnes for zircon.

The extra output is to come from a new development at Rocky Point, on the east coast of Queensland, which is planned to be in production hy 1990. Its annual production targets are 25,000 tonnes for rutile and 30,000 tonnes for zircon.

"Markats are very strong, demand is very strong, and supplies are limited in terms of potential new projects," said Mr Ian Egan, MDL's genaral manager, and that situation has been reflected in the world market. Rntile is now fetching about A$600 (£280) a tonne and zircon A$450 a tonne, compared with A$400 a tonne and A$120 a tonne, respectively, a couple of years ago.

MDL currently produces about 7 per cent of the world's rutile and 3 per cent of its zircon. Mr Egan puts the world market for *zircon* at 750,000 *tonnes* a year and for rutile at 500,000 tonnes. Australia earns abont A$500m annnally from mineral sand exports.

Tha reason for the lack of potential new mines in Australia is two-fold – there have been few new discoveries, and many of the known reserves cannot he extracted because they lie in national parks and environmentally sensitive areas.

Mineral sand mining is a messy business, and a great deal of effort has been mada at Hawk's Nest to restore the landscape to its original state, after mining. The company removes the topsoil from the land and sets it aside before *commencing* mining. A large hole, 150 metres square and 5 metres deep, is dug in the mineral deposit and filled with water.

Two dredges and a gravity separatinn plant are floated. The dredges then attack the 4-metre face under water, feed the sand back to the separator, which filters out the heavy minerals, and spews the waste out behind it. As the machinery advances at 20 metres a day, the waste sand is recontoured behind it, the topsoil replaced, and seeds of the native vegetation planted.

Mr Egan claims that within five years the land has returned to its original state. "I defy the ordinary man to know that there had been any mining at all," he said.

Tha process, which sifts 200,000 tonnes of sand every day, extracts 90 per cent of the heavy minerals. The sand contains 0.75 per cent heavy minerals. The ore body extends along 10 km and will be traversed by the machinery 4 or 5 times over 7 to 8 years.

The extracted minerals are processed at a nearby plant, where they are dried and fed through gravity separators, electrostatic separators and electromagnetic separators. As well as zircon and rutile, the rare earth monazite, worth A$1,000 a tonne, and ilmenite are recovered. About 300 tonnes of monazite, which is used in the electronic industry, are extracted each year, and 10,000 tonnes of ilmenite.

The ilmenite at Hawk's Nest can be used only for sand blasting, hut at Rocky Point the mineral is of a much higher quality, and in the first two years 225,000 tonnas are expected to be extracted.

MDL itself makes all the equipment for extracting the minerals. Mr Dick Carter, BHP's minerals division general manager for non-ferrous metals, says the fact that MDL has a stranglehold on the equipment market makes the company doubly strong. He also sees potential in diversification, possibly into synthetic rutile or even *pigment manufacture.*

● BHP, which last mined zinc at Broken Hill in 1939, has gone back to the base metals business after finding significant amounts in the Kimberley region of Western Australia.

The throughput of ore from the Cadjehut mine, a joint venture 42 per cent-owned by Shell, which opened in January this year, is being raised from 320,000 tonnes to 450,000 tonnes by the upgrading of plant later this year. Production from the 3.8m tonne ore body is expected to peak in 1994 at 130,000 tonnes of zinc concentrate and 36,000 tonnes of lead concentrate.

WEEKLY METALS

All prices as supplied by Metal Bulletin (last week's prices in hrackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,050-2,080 (2,050-2,100).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 5.35-5.50 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, ingots 8.00-8.15 (8.00-8.20), sticks 8.00-8.15 (8.00-8.20).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 6.50-6.75 (6.50-6.80).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warebouse, 320-333 (323-333).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lh Mo, in warehouse, 3.40-3.50 (3.45-3.55).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 9.65-9.80 (9.55-9.75).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 44-58 (48-61).

VANADIUM: European free market, min 98 per cent, VO, cif, 4.25-4.75 (3.50-4.00).

URANIUM: Nuexco exchange value, $ per lb, UO, 15.10 (15.75).

Cuba ready to step up nickel exports

BY TIM COONE, RECENTLY IN HAVANA

CUBAN NICKEL exports to the non-communist world are expected to rise sharply this year as a result of new processing capacity having finally come on stream.

According to Mr Alberto Betancourt Roa, Cuba's Deputy Trade Minister, the new Punta Gorda nickel plant which was inaugurated at the end of last year, will raise Cuban nickel output by 30,000 tonnes a year from the existing level of 35,000 tonnes a year. He said that under a counter-trade agreement with the Soviet Union, which helped huild the plant, two-thirds of the increased outpnt will be exported to the Comecon countries *to* repay the cost of the plant's construction, leaving 10,000 tonnes available annually for hard currency exports.

At present prices, Mr Betancourt said, this will boost Cuba's *hard currency earnings by* some 15 per ceot, or $140m a year.

The Punta Gorda plant is Cuba's third and largest nickel and cobalt processing plant, which has been plagued by construction delays since work on it began in the early 1980s. It is located near the existing Moa and Nicaro plants in *the* eastern province of Holguin, which were built before the 1959 revolution, and where the presence of extensive deposits of laterite and serpentine ores, have made Cuba a key world prodocer of the two strategic metals. The nickel and cobalt metal content of the ores averages 1.5 per cent, in a ratio of 10 to 1 respectively.

According to Cuban experts, prohable reserves of Cnhan nickel (as metal contained in ores) were estimated in 1960 at 24m tonnes. Extraction has continued since the revolution at a rate of some 30-40,000 tonnes a year, giving Cuha considerable potential for further expansion of output.

Work on a fourth plant of similar capacity to Punta Gorda is under way and, like Punta Gorda, it will prodnce nickel and cobalt oxides and sinters for export to both Comecon and the non-communist world.

At present, Cuba's main non-communist customers for its nickel are West Germany, Sweden, Italy and Belgium. Some 8,000 tonnes out of the 17,000 tonnes output of the Nicaroplant is exported for hard currency, whilst output from the Moa plant which produces 18,000 tonnes a year of a sulphide form of the metal, is exported exclusively to the Soviet Union.

The new Punta Gorda plant, which uses a similar extraction process to the Nicaro plant, will thus more than double the Cuban nickel available for export to the non-communist world.

Weather forecasts confuse Chicago grain traders

BY DEBORAH HARGREAVES IN CHICAGO

CONFUSION reigned in Chicago's grain markets yesterday as traders returning from the Independence Day holiday digested weather forecasts showing some rain in the Midwest in the next 10 days.

As the damaging drought has progressed the soyabean market has become extremely sensitive to weather conditions and falling US Government stocks, which *are expected to reach 275 bushels* by September.

Soyabean futures prices tumbled the 30 cents-a-bushel daily limit by mid-morning at the Chicago Board of Trade. They started to recover in later trading but fell back again in the afternoon. The August position closed at its lower limit of 961.5 cents a bushel.

Traders believe above-average rainfall in the Sontheast of the country could produce a healthy *soyabean crop in that region and* encourage some Southern farmers to continne planting beans.

Soyabeans are moch hardier than maize, and rain over the next few weeks could resurrect the Midwest crop and produce a healthy yield, agricultural experts said.

The Midwest maize crop is more vulnerable to a lack of moisture, which is critical in the next two weeks as the crop enters its pollenation stage. *Maize* prices were slightly higher yesterday.

However, in spite of yesterday's setbacks, traders remained coovinced the market rise had further to go.

"The market is still acting as if it wauts to be bullish," said Mr David Bartholomew, grains analyst at Merill Lynch.

Traders pointed to *a* firm undertone in the market, but remarked that current volatility had made market players much more cautious.

Pakistan's cotton traders given more freedom

BY CHRISTINA LAMB IN ISLAMABAD

PAKISTAN'S COTTON policy has been further liberalised to end the private sector's dependence on the Government-owned Cotton Export Corporation. Under the new trade policy for 1988-89 announced by the Commerce Minister, Dr Nahbubul Haq, the private sector will be able to compete with the CEC, and be free to receive export orders directly, buy requirements directly from the market, and ship the raw cotton directly to the buyers.

Doring 1987-88, in which a bumper harvest of more than 8.5m bales was produced, the private sector was allowed to export directly, but had to purchase its requirements from the CEC. Only six major traders appeared in that period who managed to export almost 1m bales.

Pakistan became the world's fifth largest cotton producer in 1986-87, with 7.4 per cent of world production, and the third biggest exporter after the US and the Soviet Union.

Last year, exports of raw cotton were 3.76m bales, due to a large surplus stock. Earnings on this years exports of 3m bales have increased by 43.4 per cent to $641m becanse of higher unit prices. Pakistan's total export earnings from cotton are predicted to be $2bn.

The export duty of 10 per cent on raw cotton will continue, but, as part of his drive to encourage export of processed and manufactured goods, Dr Haq announced a 75 per cent income tax rebate on earnings from exports of textile garments. Cotton cloth exports will receive a 50 per cent tax rebate, yarn 25 per cent, and earnings from raw cotton no rebate.

Previously, all cotton exports received a 55 per cent tax rebate.

Record wool production estimated

By our commodities staff

WORLD WOOL production in the 1987-88 season will show a rise of 2.1 per cent to a record 3.12m tonnes (greasy), the Commonwealth Secretariat estimates in the latast edition of its Wool Quarterly.

Practically all of the rise is attributable to Australia, by far the biggest producer, and China, which ranks fourth. Elsewhere, the secretariat points out, increases and decreases in output more or less cancel each other out.

The estimate for the Australian clip is about 917,000 tonnes, up 3.4 per cent from 1986-87 and not far short of the country's 1969-70 record of 925,800 tonnes. The secretariat notes that this has been achieved with 21m fewer sheep in the national flock than in the record year.

WORLD COMMODITIES PRICES

LONDON MARKETS

Sugar futures dipped yesterday as some speculators took their profits after the recent rally whan the price reached the highest level for seven years. October raw sugar traded at $299.60 a tonne in the late afternoon comapred with Monday's peak of $330. Traders said prices were still being underpinned by the prospect of nearby supply shortages, particularly in the Fer East whare raw sugar premiums were strong. Soyameal futures turned sharply lower in the closing session in response to a fall in Chicago futures which dropped under a wave of profit-taking. Among the metals, nickel continued to move upward mainly in response to the fall in the value of the doller. Caeh matal rose by $150 to $15,400 a tonne and three-monthe nickel was up $200 to $14,850, thus narrowing tha cash premium for immediate delivery over three-months (beckwardation) from $600 to $550. In early trading the backwardation reached £700 a tonne.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$12.30-2.45z	-0.05
Brent Blend	$13.90-4.05	+0.03
W.T.I.(1 pm est)	$14.87-4.90z	-0.09
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$176-179	
Gas Oil (Soviet)	$128-129	
Heavy Fuel Oil	$84-86	
Naphtha	$143-145	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$437.75	+0.25
Silver (per troy oz)♣	678c	+5
Platinum (per troy oz)	$556.70	+1.25
Palladium (per troy oz)	$125.15	+0.40
Aluminium (free market)	$2745	+95
Copper (US Producer)	112¾-145/8c	
Lead (US Producer)	36c	
Nickel (free market)	700c	+10
Tin (European free market)	£4210	-30
Tin (Kuala Lumpur market)	19.52r	+0.13
Tin (New York)	332.5c	
Zinc (Euro. Prod. Price)	$1337.5	
Zinc (US Prime Western)	65⅝c	
Cattle (live weight)†	110.65p	+0.47*
Sheep (dead weight)†	183.63p	+28.87*
Pigs (live weight)†	68.64p	+1.20*
London daily sugar (raw)	$347x	-17
London daily sugar (white)	$323x	-14
Tate and Lyle export price	£316.5	-12.5
Barley (English feed)	£108.5q	
Maize (US No. 3 yellow)	£146.70	
Wheat (US Dark Northern)	£132x	+1.25
Rubber (spot)♥	75.50p	-1.25
Rubber (Aug)♥	01.75p	-1.25
Rubber (Sep)♥	82.00p	-1.25
Rubber (KL RSS No 1 Aug)	361.0m	
Coconut oil (Philippines)§	$710x	-12.5
Palm Oil (Malaysian)§	$565x	+5
Copra (Philippines)§	$470	
Soyabeans (US)	Unq.	
Cotton "A" index	67.90c	
Woollops (64s Super)	654p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Jul/Aug. s-Aug/Sep. z-Aug. q-Sep. w-Oct. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Jly	944	942	948	932
Sep	962	955	963	948
Dec	970	969	973	960
Mar	989	988	993	980
May	1008	1005	1010	1002
Jul	1027	1023	1025	1024
Sep	1046	1043	1043	1042

Turnover: 4868 (2265) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for July 5: 1231.30 (1215.81) .10 day average for July 6: 1212.25 (1206.81)

COFFEE £/tonne

	Close	Previous	High/Low	
Jly	1055	1059	1066	1050
Sep	1073	1087	1090	1072
Nov	1092	1106	1110	1092
Jan	1114	1125	1128	1115
Mar	1133	1142	1143	1132
May	1155	1162	1159	1160

Turnover: 2168 (1572) lots of 5 tonnes
ICO indicator prices (US cents per pound) for June 1: *Comp. daily 1979* 113.04 (111.78); 15 *day average* 117.33 (117.94).

SUGAR $ per tonne

Raw	Close	Previous	High/Low	
Aug	304.00	333.00	318.00	299.60
Oct	290.60	324.00	307.00	291.00
Dec	289.00	315.40	291.00	286.00
Mar	279.00	308.60	293.00	278.40
May	277.00	305.00	285.00	279.00
Oct	268.00			268.00

White	Close	Previous	High/Low	
Aug	313.00	350.00	340.00	319.00
Oct	313.00	337.00	336.00	311.00
Dec	313.00	340.00	319.00	010.00
Mar	312.00	336.00	324.00	310.00
May	312.00	338.00	319.00	315.00
Aug	313.00		319.00	
Oct	313.00		320.00	319.00

Turnover: Raw 10553 (8469) lots of 50 tonnes; White 1803 (1637).
Paris- White (FFr per tonne): Aug 1935, Oct 1912, Dec 1915, Mar 1915, May 1920, Aug 1925

GAS OIL $/tonne

	Close	Previous	High/Low	
Jul	128.25	127.25	129.00	127.25
Aug	127.25	127.00	129.75	128.75
Sep	127.50	127.25	129.00	127.25
Oct	128.25	128.75	130.00	128.25
Nov	129.50	129.25	130.50	129.50
Dec	130.25	131.00	131.50	130.25

Turnover: 4514 (3326) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Jly	107.90	107.50	108.10	107.75
Sep	108.50	108.75	109.00	108.50
Nov	111.10	111.35	111.55	111.10
Jan	113.80	114.00	114.10	113.80
Mar	116.25	116.50	116.60	116.25
May	116.75	115.00	119.20	118.70
Barley	**Close**	**Previous**	**High/Low**	
Sep	103.85	104.00	104.25	103.80
Nov	106.70	106.95	107.10	106.70
Jan	109.70	109.00	110.10	109.65
Mar	111.80	112.15	112.25	111.75
May	113.35	113.60	113.85	113.25

Turnover: Wheat 236 (224) , Barley 149 (162) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 0 tonne
Cash	2685-95	2760-70		2735-55		
3 months	2580-90	2605-15		2640-50	2630-40	6,316 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 13,850 tonne
Cash	1510-5	1550-5		1530-40		
3 months	1446-8	1463-4	1496/1446	1480-2	1472-5	54,175 lots
Copper, Grade A (£ per tonne)						Ring turnover 27,150 tonne
Cash	1370-5	1395-400	1422/1368	1422-3		
3 months	1310-1	1329-30	1341/1309	1333-4	1314-5	69,135 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1295-305	1335-45		1330-40		
3 months	1265-75	1290-300		1290-300		41 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	672-5	670-1		669-72		
3 months	684-7	681-2		681-4	681-4	577 lots
Lead (£ per tonne)						Ring turnover 6,600 tonne
Cash	379-81	373-5	375	375-6		
3 months	376-80	372-4	380/374	375.5-6	379-80	12,999 lots
Nickel ($ per tonne)						Ring turnover 612 tonne
Cash	15300-500	15200-300		15500-600		
3 months	14800-900	14600-700	14950/14770	14900-50	14800-900	6,380 lots
Zinc (£ per tonne)						Ring turnover 9,425 tonne
Cash	745-50	766-70	755	755-6		
6 months	718-9	727-8	730/716	719-20	713-5	23,931 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Nov	88.0	90.0	87.0	
Feb	100.0	100.0		
Apr	132.1	134.5	134.5	132.0
May	143.0	145.0	145.0	143.4

Turnover: 414 (414) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Aug	197.00	204.50		
Oct	195.90	204.00	205.00	196.00
Dec	197.00	206.00	205.00	195.00
Feb	200.00	209.00		

Turnover: 201 (282) lots of 100 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Jly	1239.0	1247.0	1259.0	1230.0
Aug	1284.0	1318.0	1288.0	1284.0
Oct	1383.0	1410.0	1385.0	1370.0
Jan	1394.0	1413.0	1430.0	1380.0
BFI	1210.0	1205.0		

Turnover: 129 (333)

JUTE
July/August 1988 c and f Dundee BTC $485, BWC $470, STD $410, BWD $410; c and f Antwerp BTC $445, BWC $435, BWD $380, BTD $380.

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sept	Nov	Sept	Nov
2450	362	313	115	206
2600	276	244	177	263
2700	205	186	255	374
Aluminium (99.5%)	**Calls**		**Puts**	
2350	476	294	260	221
2500	404	229	336	302
2650	341	175	421	395
Copper (Grade A)	**Calls**		**Puts**	
2150	232	198	112	151
2250	181	158	166	236
2350	139	122	222	299

Silver fix	p/fine oz	US cts equiv
Spot	395.70	672.50
3 months	405.70	685.80
6 months	416.15	699.80
12 months	436.40	728.05

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	437½-438	256½-257
Opening	437½-438	257½-258
Morning fix	437.40	257.087
Afternoon fix	437.50	257.277
Day's high	438½-439	
Day's low	436¾-437¼	
Coins	**$ price**	**£ equivalent**
US Eagle	450½-455½	264-267
Mapleleaf	450½-455½	264-267
Britannia	450½-455½	264-267
Krugerrand	436-439	256½-257½
1/2 Krug	229-238	134¼-139½
1/4 Krug	114-122	66¾-71½
Angel	449-454	263½-265
1/10 Angel	46-51	27-29¾
New Sov.	103-104	60½-61¼
Old Sov.	103-104½	60½-61½
Noble Plat	570.1-77.2	337.35-41.55

US MARKETS

THE GRAINS and soyabean complex opened higher then eased as traders took stock of weekend rains in the delta and south east U.S. states, as well as a new 6-10 day forecast indicating the possibility of above-normal precipitation, reports Drexel Burnham Lambert. *Professional-type selling took the markets* almost to limit down, but late short-covering saw prices recover. There were reports that the Soviet Union may have bought soyabean meal. Wheat saw added pressure from fund selling. Feeder and live cattle were sharply higher following good rains in some areas and as the cash market rallied. Sentiment was influenced by a feeling that recent herd liquidations may not have been as extensive as at first thought. Pork bellies were limit down, continuing to suffer from massive stocks, while hogs recovered from lower levels under the influence of the cattle. Precious metals were quiet and mainly sensitive to tha fluctuations in the U.S. dollar which prompted an underlying firm tone in otherwise local-dominated markets. Copper closed mixed with spread activity the main feature.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	438.1	437.2	437.9	437.9
Aug	440.3	438.6	441.6	437.6
Sep	442.8	442.1	0	0
Oct	445.6	444.8	445.9	442.8
Dec	450.8	450.0	451.3	448.0
Feb	456.2	455.3	456.2	456.2
Apr	461.5	460.5	460.5	460.5
Jun	466.9	465.8	0	0
Aug	472.4	471.2	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	556.6	561.9	559.0	550.0
Oct	563.6	568.2	566.5	558.5
Jan	570.0	575.2	572.0	564.0
Apr	578.1	582.2	575.5	575.5
Jul	585.6	589.7	0	0
Oct	592.0	0	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	676.6	670.3	679.0	670.0
Aug	680.9	674.9	0	0
Sep	685.5	679.5	688.0	679.5
Dec	700.0	693.8	702.5	693.5
Jan	704.9	698.7	0	0
Mar	715.3	709.2	715.0	710.0
May	725.0	718.7	725.0	725.0
Jul	735.6	729.0	738.0	730.0
Sep	746.2	739.5	0	0
Dec	762.6	755.9	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	100.50	199.40	102.50	100.30
Aug	97.80	96.40	0	0
Sep	95.10	93.40	97.00	94.50
Dec	88.10	168.70	91.50	88.00
Jan	86.60	187.10	87.50	87.30
Mar	83.10	183.90	86.00	83.50
May	81.60	82.10	82.30	82.00
Jul	80.10	80.60	83.00	82.50
Sep	78.30	78.40	0	0
Dec	78.05	78.15	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Aug	14.93	14.94	15.17	14.80
Sep	15.12	15.14	15.36	14.98
Oct	15.23	15.27	15.48	15.11
Nov	15.36	15.38	15.56	15.22
Dec	15.45	15.48	15.70	15.33
Jan	15.40	15.55	15.75	15.40
Mar	15.80	15.56	15.80	15.80
Apr	15.68	15.68	15.80	15.68
May	15.65	15.71	15.65	15.66

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Aug	4130	4102	4156	4086
Sep	4185	4156	4235	4150
Oct	4265	4232	4305	4230
Nov	4350	4315	4400	4310
Dec	4430	4400	4475	4400
Jan	4460	4436	4505	4435
Feb	4465	4448	4520	4450
Mar	4315	4293	4375	4310

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	1560	1570	1580	1560
Sep	1570	1581	1586	1558
Dec	1569	1579	1572	1555
Mar	1587	1581	1587	1569
May	1605	1596	1599	1593
Jul	1632	1625	1619	1612

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	132.10	139.00	132.60	132.00
Sep	132.59	133.17	133.30	132.25
Dec	161.86	132.82	132.90	131.80
Mar	131.80	132.86	132.50	131.80
May	131.75	132.83	132.00	132.00
Jul	131.75	132.95	162.00	132.00
Sep	161.80	133.00	0	0
Dec	131.30	132.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	12.82	13.27	13.48	12.16
Jan	12.36	12.70	13.20	12.35
Mar	12.29	12.67	12.82	12.20
May	12.29	12.51	12.62	12.10
Jul	12.00	12.43	12.60	12.08
Oct	12.00	12.27	12.33	12.00

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	66.00	65.56	65.75	63.80
Oct	60.43	61.50	01.20	58.90
Dec	58.17	60.36	59.80	57.80
Mar	58.90	61.00	60.50	58.65
May	60.00	61.35	60.00	59.60
Jul	60.05	61.55	61.00	60.05
Oct	61.50	62.00	01.80	01.80

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	188.00	189.00	188.10	187.80
Sep	181.90	184.40	184.40	180.50
Nov	175.80	178.30	178.80	175.75
Jan	169.70	170.75	170.50	169.50
Mar	168.70	169.95	160.50	169.00
May	167.70	168.95	0	0
Jul	166.60	168.25	0	0
Sep	166.50	168.23	0	0
Nov	166.50	168.25	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)				
	July 1	June 30	mnth ago	yr ago
	2004.4	1996.5	1850.8	1640.0
DOW JONES (Base: December 31 1974 = 100)				
Spot	138.79	137.83	135.60	128.49
Futures	141.76	141.23	139.75	126.08

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	959/0	988/4	1001/0	947/0
Aug	961/4	991/4	0	961/4
Sep	963/2	993/0	996/0	963/0
Nov	958/4	985/0	992/0	955/0
Jan	952/4	979/0	980/0	949/0
Mar	948/0	972/0	972/0	942/0
May	926/0	953/0	953/0	923/0
Jul	918/0	937/0	937/0	907/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	31.52	32.75	33.35	31.25
Aug	01.57	32.95	33.55	31.45
Sep	31.70	33.05	33.65	31.58
Oct	31.77	33.05	33.70	31.60
Dec	31.85	33.12	33.73	31.65
Jan	31.45	32.85	33.30	31.45
Mar	31.20	32.45	32.50	31.20
May	30.52	31.77	32.27	30.60

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	283.2	293.6	296.0	281.0
Aug	282.0	291.0	294.0	281.0
Sep	277.7	287.5	292.0	277.5
Oct	277.5	286.5	288.0	276.5
Dec	276.2	285.2	286.0	276.2
Jan	273.2	282.0	283.0	272.1
Mar	270.0	279.0	278.0	269.0
May	267.5	277.0	280.0	267.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	344/0	342/0	358/0	328/0
Sep	351/0	347/6	361/0	335/0
Dec	357/4	355/4	370/0	341/0
Mar	358/0	355/4	370/0	342/0
May	358/0	355/0	369/0	345/0
Jul	353/0	348/6	360/0	341/0
Sep	307/0	304/6	315/0	304/0
Dec	285/0	283/4	295/0	283/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	389/0	400/4	407/0	380/0
Sep	400/4	411/0	421/0	391/0
Dec	410/4	421/4	429/0	400/0
Mar	414/0	423/4	430/0	404/0
May	402/0	413/0	420/0	397/0
Jul	377/0	395/4	390/0	371/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	65.70	64.60	65.75	64.60
Oct	66.40	65.42	66.45	65.52
Dec	69.56	68.96	69.90	68.95
Feb	71.67	71.62	72.65	71.50
Apr	74.05	74.20	75.00	73.70
Aug	72.25	72.30	73.20	72.00

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	44.07	44.82	44.90	44.00
Aug	42.80	43.77	43.30	42.60
Oct	41.05	41.77	41.10	40.30
Dec	44.00	44.00	45.00	43.90
Feb	49.12	49.00	49.50	48.50
Apr	48.60	48.67	48.70	48.25

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	33.25	35.25	33.85	33.25
Aug	34.17	36.17	34.65	34.17
Feb	57.35	59.55	57.55	57.55
Mar	58.70	58.70	57.55	55.70
May	58.37	58.27	57.55	56.35
Jul	57.75	59.75	59.75	57.75

FOREIGN EXCHANGES

Uncertainty depresses dollar

THE DOLLAR failed to recover fully from a weak start, as investors became more wary over the prospect of pushing the dollar too high.

Earlier in the day a lack of intervention by the Bank of Japan and the US Federal Reserve Board, convinced many traders that a further rise in the dollar's value was likely to be tolerated. This overruled the effects of dollar sales by the West German Bundesbank and the Bank of Italy. Intervention by G7 central banks was not considered a genuine deterrent for dollar bulls, without participation from Japan and the US.

The dollar had been sold off in the Far East, as investors took profits, and opened in London on a weaker note. However it was confined to a narrow range for much of the morning, as traders awaited the start of trading in New York after the long weekend.

The dollar was pushed firmer soon after the start of trading in New York but slipped back from the day's highs to finish in London at DM1.8235 from DM1.8295 and Y134.20 compared with Y135.40. Elsewhere it closed at SFr1.5165 from SFr1.5230 and FFr6.1425 against FFr6.1625. On Bank of England figures, the dollar's exchange rate index fell from 98.5 to 97.9.

Enthusiasm to test new highs was also tempered by proximity of next week's release of US trade figures for May. These are not expected to show an improvement on April's $9.89bn deficit.

Sterling broke through DM3.11 in late trading, gaining strength from yesterday's rise in UK base rates, the fifth increase in as many weeks. But some dealers remained less than impressed, suggesting that the pound only improved when investors hesitated in pushing the dollar higher. Nevertheless, the pound's firmer trend took some of the upward pressure off domestic rates, although the healthy interest rate differential established in the pound's favour, was still likely to serve it well over the next week, dealers argued, as institutional demand for the dollar falters ahead of the release of US trade figures.

The pound's exchange rate index rose to 75.2, up from 74.9 at the opening and 74.6 on Monday. Against the dollar, sterling rose to $1.7065 from $1.6830 and to DM3.1125 in terms of the D-Mark, compared with DM3.0800. It was also higher against the yen at Y229.0 from Y228.0. Elsewhere it finished at SFr2.5875 from SFr2.5625 and FFr10.4825 against FFr10.3725.

The D-Mark was only marginally firmer against the dollar, and its performance elsewhere was equally unimpressive. It opened at Y73.85 against the yen, down from Y74.03 on Monday, and finished at Y73.59. Investors were encouraged to switch into the yen after the the restoration of interest rate differentials in favour of Euro-yen. The latter built up an eighth point advantage over Euro-marks, despite the rise in West German interest rates, which had earlier reduced the differential to zero.

Against the French franc the D-Mark was unchanged from Monday at FFr3.3685. However the D-Marks' underlying weakness was highlighted by its failure to take advantage of increased speculation that French interest rates could soon be reduced.

£ IN NEW YORK

July 5	Latest	Previous Close
£ Spot	1.6980-1.6990	N/A-N/A
1 month	0.30-0.29pm	N/A-N/A
3 months	0.92-0.89pm	N/A-N/A
12 months	3.15-3.05pm	N/A-N/A

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 5	Previous
8.30 am	74.9	74.7
9.00 am	74.9	74.8
10.00 am	75.0	74.8
11.00 am	75.1	74.7
Noon	75.0	74.7
1.00 pm	75.0	74.7
2.00 pm	75.0	74.7
3.00 pm	75.1	74.7
4.00 pm	75.2	74.6

CURRENCY RATES

July 5	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.769597	0.672556
U.S Dollar	6	1.30770	1.13784
Canadian $	8.75	N/A	1.38886
Austrian Sch.	3½	16.7634	14.6075
Belgian Franc	6¾	49.9149	43.4483
Danish Krone	7½	9.05451	7.87270
Deutsche Mark	3	2.38328	2.07496
Neth. Guilder	3½	2.68798	2.33894
French Franc	[illegible]	[illegible]	6.98519

*All SDR rates are for July 1

CURRENCY MOVEMENTS

OTHER CURRENCIES

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 5	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4483	+2.33	+1.17	±1.5344
Danish Krone	7.85212	7.87270	+0.26	-0.90	±1.5404
German D-Mark	2.05853	2.07496	+0.80	-0.36	±1.0981
French Franc	6.90403	6.98519	+1.18	+0.02	±1.3674
Dutch Guilder	2.31943	2.33894	+0.84	-0.32	±1.5012
Irish Punt	0.768411	0.773198	+0.62	-0.54	±1.6684
Italian Lira	1483.58	1540.06	+3.81	+3.16	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

July 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6955-1.7080	1.7060-1.7070	0.31-0.28cpm	2.07	0.94-0.89pm	2.14
Canada	2.0615-2.0745	2.0710-2.0720	0.17-0.07cpm	0.70	0.40-0.26pm	0.64

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

UK rates fall back

INTEREST RATES fell back on the London money market yesterday, amid signs of a recovery in confidence.

Three-month interbank declined to 10¼-10 p.c. at the close, from 10⅜-10¼ p.c., and dealers also saw longer term stability returning to the market, with the recent upward trend in overnight money.

Expectations of higher bank base rates concentrated funds into the very short end of the market last month, but as funds flow out into the longer periods overnight money is likely to be relatively firm.

UK clearing bank base lending rate 10 per cent from July 4

The Bank of England initially forecast a money market surplus of £150m, but revised this to £250m at noon. The authorities did not operate in the market before lunch, but in the afternoon bought £250m Treasury bills outright, due July 8, at rates of 9 p.c. to 9¼ p.c.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £444m. This was outweighed by Exchequer transactions adding £450m to liquidity, a fall in the note circulation of £30m, and bank balances above target of £120m.

In New York the US Federal Reserve added temporary reserves to the banking system, through overnight system repurchases. Federal funds were trading at 7½ p.c. at the time, compared with an average of 7¼ p.c. on Friday.

In Frankfurt call money was little changed at 4.05 p.c., with liquidity just about adequate for the needs of the market.

The West German Bundesbank is adding a net DM4.3bn of liquidity this week through a securities repurchase agreement, but at the same time is drawing funds out of the domestic market by buying D-Marks against the dollar on the foreign exchanges.

There has been a very large capital outflow from West Germany so far this year, estimated at DM50bn, according to Mr Helmut Schlesinger, vice president of the Bundesbank, but this has failed to dampen money supply growth.

Currency intervention has squeezed monetary expansion and drained liquidity from the banking system, but M3 growth is running at an annual rate of 7.5 p.c., compared with the official target of 3 p.c. to 6 p.c. In Brussels the Belgian National Bank raised the interest rate on four month paper issued by the Securities Regulation Fund to 6.55 p.c. from 6.15 p.c.

FT LONDON INTERBANK FIXING

MONEY RATES

NEW YORK (Lunchtime)

LONDON MONEY RATES

FINANCIAL FUTURES

Pound becomes a parking lot

STERLING has suddenly become a very attractive parking lot for funds, following the rise of 30 p.c. in UK bank base rates over the past five weeks. Sterling denominated instruments are expected to perform well for the next week or so, according to Mr Nick Parsons, of Union Discount.

The pound's attraction as a temporary home for money will increase in line with nervousness ahead of the US trade figures on Friday week. There are no major UK economic releases ahead of the US trade data.

The house price boom in the UK is virtually over, according to Union Discount, and this view was reinforced yesterday by the sharp rise to 11.1 p.c. from 9.75 p.c. in Barclays Bank's home mortgage rate.

This will claw back a large part of the increased purchasing power provided by tax cuts in the Budget, and should take some of the inflationary steam out of the economy.

Any foreseeable bad news about the UK economy is already priced into sterling's value against the dollar, with the rate discounting a trade deficit of around £10bn for 1988.

Three-month sterling deposit futures rose yesterday on the Liffe market, as the pound rebounded from Monday's lows, and the currency was again looked at as an attractive haven, on the basis of interest rate differentials.

Gilt futures also finished firmer, as sterling improved and the market took the view that there will now be a pause in the upward move in interest rates.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
88	655	705	1	7
90	457	513	3	15
92	300	335	10	37
94	124	210	34	112
96	29	111	139	213
98	8	37	318	339
100	3	16	513	518

Estimated volume total, Calls 2393 Puts 2917
Previous day's open int. Calls 26706 Puts 41124

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
82	631	619	11	59
84	447	455	27	131
86	307	341	51	217
88	151	240	131	316
90	57	153	237	429
92	26	115	406	555
94	12	51	556	727

Estimated volume total, Calls 254 Puts 224
Previous day's open int. Calls 575 Puts 1015

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements JUL	Calls-settlements AUG	Puts-settlements JUL	Puts-settlements AUG
17000	1521	1555	1	35
17500	1032	1118	12	98
18000	590	742	70	222
18500	261	449	241	429
19000	83	246	563	726
19500	18	121	998	1101
20000	3	53	1483	1533

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 3 Puts 47

LIFFE £/$ OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING

PHILADELPHIA SE £/$ OPTIONS

LONDON SE £/$ OPTIONS

LONDON (LIFFE)

CHICAGO

CURRENCY FUTURES

EUROPEAN OPTIONS EXCHANGE

PHILIPS P	Fl. 30	16	0.20	839	0.90	7	1.50	Fl. 34.90
ROYAL DUTCH C	Fl. 230	1053	1.30	611	6.50	55	9.50	Fl. 226.50
ROYAL DUTCH P	Fl. 240	-	-	169	19.50	496	20.50	Fl. 226.50
UNILEVER C	Fl. 110	772	2	357	6.40	-	-	Fl. 110.90
UNILEVER P	Fl. 100	100	0.10	29	1.90	30	3.30	Fl. 110.90
WESSANEN C	Fl. 80	-	-	80	3	12	4.80	Fl. 77

TOTAL VOLUME IN CONTRACTS : 67,098

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	10	Citibank NA	10	Nat Bk. of Kuwait	10
Adam & Company	9½	City Merchants Bank	10	NatWestminster	10
AAB - Allied Arab Bk	10	Clydesdale Bank	10	Northern Bank Ltd	10
Allied Irish Bank	10	Comm. Bk. N. East	10	Norwich Gen. Trust	10
Henry Ansbacher	10	Co-operative Bank	*9½	Provincial Bank PLC	10½
ANZ Banking Group	10	Coutts & Co	10	R. Raphael & Sons	9½
Associates Cap Corp	10	Cyprus Popular Bk	10	Roxburghe G'rantee	10½
Authority Bank	10	Dunbar Bank PLC	10	Royal Bk of Scotland	10
B & C Merchant Bank	10	Duncan Lawrie	10	Royal Trust Bank	10
Banco de Bilbao	10	Equatorial Bank plc	10	Smith & Williamson Secs.	10
Bank Hapoalim	10	Exeter Trust Ltd	10½	Standard Chartered	10
Bank Leumi (UK)	9	Financial & Gen. Sec	10	TSB	9½
Bank Credit & Comm.	10	First National Bank Plc	10	UDT Mortgage Exp	§9.4
Bank of Cyprus	9½	● Robert Fleming & Co.	10	United Bk of Kuwait	10
Bank of Ireland	10	Robert Fraser & Ptnrs.	11	United Mizrahi Bank	10
Bank of India	10	Girobank	10	Unity Trust Bank Plc	10
Bank of Scotland	10	Grindlays Bank	10	Western Trust	10
Banque Belge Ltd	10	● Guinness Mahon	10	Westpac Bank Corp.	10
Barclays Bank	10	HFC Bank plc	10	Whiteaway Laidlaw	10½
Benchmark Bank PLC	10	● Hambros Bank	10	Yorkshire Bank	10
Berliner Bank AG	10	Heritable & Gen Inv Bk	10		
Brit Bk of Mid East	10	● Hill Samuel	§10		
● Brown Shipley	9½	C. Hoare & Co.	10		
Business Mtge Tst	10	Hongkong & Shangh	10		
Cl. Bank Nederland	10	Lloyds Bank	10		
Central Capital	9½	Meghraj Bank Ltd	10		
● Charterhouse Bank	10	Midland Bank	10		
		Mount Bnkg Corp.	10		

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 4.38%. Sarewise 7.16%. Top Tier-£10,000+ instant access 9.0% § Mortgage base rate. § Demand deposit 5.0%. Mortgage 9.125% - 9.5%

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H

Abtrust Management Ltd (1000)H

Anglo Unit Trust Mgrs Ltd (1400)F

AEtna Unit Trusts Ltd (1600)F

Allchurches Inv Mgmt Servs Ltd (1200)H

Allied Dunbar Unit Tsts PLC (1600)F

Anderson Drew Unit Tst Mgrs Ltd (0900)

Anthony Wieler Unit Tst Mgmt Ltd (1000)F

Arkwright Management

Asset Unit Trust Mngrs Ltd (0900)F

Baillie Gifford & Co Ltd (1430)H

Bank of Ireland Fund Mgrs Ltd (1200)F

Barclays Unicorn Ltd (1000)H

Baring Fund Managers Ltd (1200)H

Bell Court Fund Mgt PLC (1500)F

Bishopsgate Progressive Mgmt Co (1200)F

Brewin Dolphin Unit Tst Mgrs Ltd (0905)F

Brown Shipley & Co Ltd (1200)F

Bryant Unit Tst Mgmt Ltd (1400)F

Buckmaster Mangmt Co Ltd (1200)H

Burrage Unit Tst Mangmt Ltd (0905)F

CCL Unit Trusts Ltd (1630)H

CIBC Unit Tst Managers plc (1200)H

CS Fund Managers Limited (1000)H

Canada Life Unit Tst Mgrs Ltd (1200)F

Cannon Fund Managers Ltd (0700)H

James Capel Unit Tst Mgmt Ltd (1535)F

Capital House Unit Tst Mgrs (0905)H

Charities/Charibond (1000)F

Chase Manhattan Fund Mgrs Ltd

Citicorp Unit Tst Mgrs Ltd (1000)S

City Financial Servs & Inv Ltd (1100)F

Clerical Medical Unit Tst Mgrs Ltd (1600)H

Commercial Union Tst Mgrs (1600)H

Confederation Funds Mngt Ltd (1200)F

Consistent Unit Tst Mgmt Co Ltd

Cornhill Unit Trust Mngrs Ltd (1000)F

Crown Unit Tst Services Ltd (1200)H

Crusader Unit Tst Mgrs Ltd (1000)H

Darlington Unit Tst Mngt Ltd (1200)H

Dimensional Tst Mangmt Ltd (0905)F

Discretionary Unit Fund Mngrs (1000)H

Drummond Fund Mangt Ltd (1400)F

Dunedin Unit Tst Mgrs Ltd (1430)F

EFM Unit Tst Mngrs Ltd (1400)H

Eagle Star Unit Mngrs Ltd (1000)H

Ebor Ltd (1600)F

Equitable Units Admin Ltd (1600)F

Equity & Law Unit Tst Mngrs (1200)H

Exeter Fund Managers Ltd (1400)F

FMS Investment Management Ltd (0905)F

FS Investment Managers Ltd (1200)H

Fidelity Investment Servs Ltd (1200)F

Foreign & Colonial Unit Mngmt (1200)F

Framlington Group (1200)H

Robert Fraser Tst Mgmt Ltd (0900)F

Friends Provident Unit Trusts (1000)F

G. A. Trust (1000)F

GT Unit Managers Ltd (1200)H

Gartmore Fund Managers (1200)H

Govett (John) Unit Mgmt Ltd (1400)F

Grieveson Management Co Ltd

Guardian Royal Ex Unit Mgrs Ltd

Guild Management Ltd (1600)F

Henderson Unit Tst Mgmt Ltd (1200)H

Hexagon Services Ltd (0905)F

Highcliffe Unit Tst Mngmt Ltd

Hill Samuel Unit Tst Mgrs Ltd (1200)H

Jupiter Unit Tst Mgrs Ltd (0905)H

Key Fund Managers Ltd (1430)F

Kleinwort Benson Unit Tsts Ltd (1100)F

LAS Unit Tst Mgrs Ltd (1000)H

L & C Unit Tst Mngmt Ltd (0905)F

Lazard Unit Tst Mgrs Ltd (1200)F

Laurentian Unit Tst Mngmt Ltd (1200)H

Legal & General (U.T. Mgrs) Ltd (1200)H

Lloyds Bk Unit Tst Mngrs Ltd (1000)F

London & Manchester (Tst Mgmt) Ltd

M & G Securities (UK) (0915)H

Manulife Management Ltd (1000)F

Martin Currie Unit Trusts Ltd (0905)H

Mayflower Management Co Ltd (1200)H

Medical Investments Ltd (1200)F

Mercury Fund Managers Ltd (0900)H

Merlin Fund Mngmt Ltd (0905)F

Metropolitan Unit Trust Mngrs Ltd (1000)F

Midland Unit Trusts Ltd (1200)F

MIM Britannia Unit Tst Mgrs Ltd (1600)H

MLA Unit Trust Management (1200)H

MGM Unit Managers Ltd (1000)H

Murray Johnstone UT Mgmt (1400)H

NM Schroder Unit Tst Mgrs Ltd (1200)F

National Provident Inv Mgrs Ltd (1400)H

Norwich Unit Trust Managers (1200)H

Octavian Unit Tst Mngrs Ltd

Pearl Trust Managers Ltd (1000)H

Pembroke Administration Ltd (1700)F

Perpetual Unit Trust Mngmt (z) (1000)H

Prolific Unit Trust Mngrs Ltd (1400)H

Providence Capital Fd Mngrs Ltd (1000)F

Provident Mutual Unit Tst Mgrs Ltd (0905)H

Prudential Holborn Unit Tsts Ltd (1200)H

Quilter Management Co Ltd (1400)F

Rothschild Asset Management (1400)F

Royal Life Fd Mngmt Ltd (1200)H

Royal London Unit Tst Mgrs Ltd (1200)F

Royal Trust Fund Mngmt Ltd (1200)F

Save & Prosper Group (0905)H

Scimitar Unit Tst Mgrs Ltd (1200)F

Scottish Equitable Fd Mgrs Ltd (1000)H

Scottish Life Investments (1200)H

Scottish Mutual Inv Mngrs Ltd (1000)F

Scottish Provident Inv Mgt Ltd (1000)F

Scottish Widows' Fund Mngmt (0459)H

Sentinel Funds Mngmt Ltd (1000)F

Smith & Williamson Unit Tst Mgrs (1000)H

Sovereign Unit Tst Mgrs Ltd (1000)F

Standard Life Tst Mngmt Ltd (0459)H

Stewart Ivory Unit Tst Mgrs Ltd (1500)H

Sun Alliance Unit Tst Mangmt Ltd (1200)F

Sun Life of Canada Unit Mgrs Ltd (0905)H

Sun Life Trust Mngmt Ltd (1200)H

Swiss Life Pen Tst Man Co Ltd (1000)H

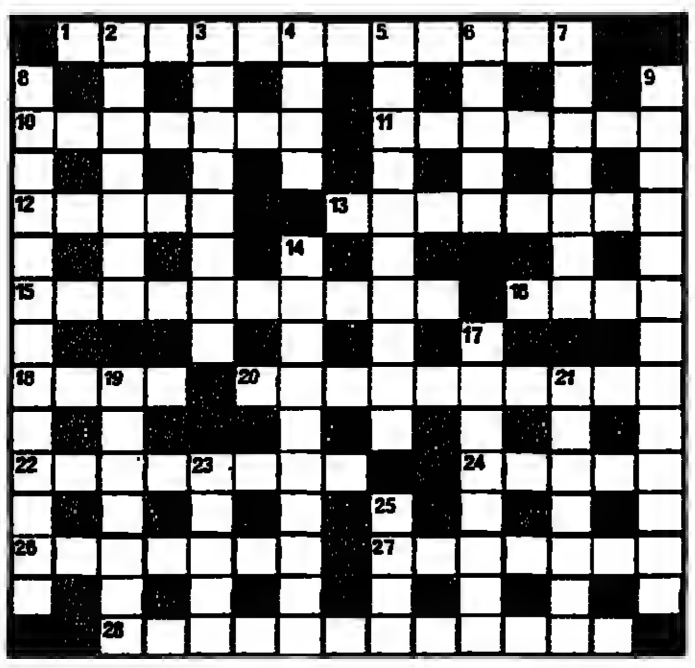
TSB Unit Trusts (z) (1200)H

3i Unit Trust Managers Ltd (1000)F

JOTTER PAD

FT CROSSWORD No.6,674

SET BY DOGBERRY



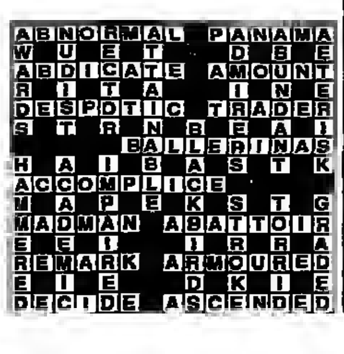
ACROSS

1 HRH to mail piano to band (12)
10 A Roman's boat propellor? (7)
11 Stinking racket, but there's order in it (7)
12 Graceful, if tipsy, male (5)
13 Might they specialise in alliteration? (8)
15 Regarding the modus operandi for a month's return to the mountains (10)
16 Ona beginning some pretty rough stuff (4)
18 Attentive sailor's turn to keep quiet (4)
20 Food here's gold: the others rave about it! (10)
22 My man Sid Vicious has energy (8)
24 Fear non-starter could make slip (5)
26 Boy holding list of cheese (7)
27 University head entering papers on ancient Greek (7)
28 Bilingual veneer (6,6)

DOWN

2 A devotee of Hamlet's first unfinished speech (7)
3 Travelled clumsily, being loaded (8)
4 Flower painter's rising number (4)
5 Friars and bishops, fur instance, are impotent in hell (10)
6 One in part of church green (5)
7 Irregularity? Ms Lisa turns it out of Italy (7)
8 It's not as good as it looks, so Pardoe fails badly (5,8)
9 The Mother of Science (13)
14 Very quick (just like that!) to surround posh individual (10)
17 Amusement that's a quarter authentic is dreary (8)
18 Peg-head's on to fight the bishop (7)
21 Topless (having nothing on top) and stuffy (7)
23 Mud all round model's head-gear (5)
25 Holding highest position at work (4)

Solution to Puzzle No.6,673



GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust Information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ – 0001 to 1100 hours; ♦ – 1101 to 1400 hours; ♠ – 1401 to 1700 hours; ♣ – 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

	Init. Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Target Trust Mngrs Ltd (1600)H						
Target Hse, Gatehouse Rd, Aylesbury Bks						0296 [illegible]
American Eagle	5	64.24	64.24	69.41	[illegible]	[illegible]
Australia	5	8.071	8.071	8.618	[illegible]	[illegible]
Commodity	5	61.65	61.65	66.04	[illegible]	[illegible]
Convertible	5	151.1	151.1	162.0	[illegible]	[illegible]
Equity	4	147.5	147.5	158.5	[illegible]	[illegible]
Euro Spec Sits	5	79.27	79.27	85.26	[illegible]	[illegible]
Financial	5	31.84	31.84	34.22	[illegible]	[illegible]
Global Opps Inc	5	57.93	58.29	62.68	[illegible]	[illegible]
Global Opps Acc	5	57.93	58.29	62.68	[illegible]	[illegible]
Gold Income	4	55.56	55.56	59.65	[illegible]	[illegible]
Gold Acc	5	102.5	102.5	109.8	[illegible]	[illegible]
Income	5	106.8	106.8	114.8	[illegible]	[illegible]
Japan	5	118.7	118.7	127.5	[illegible]	[illegible]
Pacific Income	5	113.8	114.2	122.6	[illegible]	[illegible]
Pacific Re Inv	5	141.2	141.8	152.0	[illegible]	[illegible]
Preference Share	5	24.40	24.40	26.44	[illegible]	[illegible]
Special Sits	5	102.7	102.7	110.4	[illegible]	[illegible]
Technology	5	43.18	43.18	46.4	[illegible]	[illegible]
UK Capital	5	91.83	91.83	98.75	[illegible]	[illegible]
World Income	5	51.38	51.38	55.04	[illegible]	[illegible]
Worldwide Capital	5	146.6	147.2	158.3	[illegible]	[illegible]
Equity Exempt	5	111.6	111.6	118.9	[illegible]	[illegible]
Equity Exempt Acc	5	212.7	212.7	226.4	[illegible]	[illegible]
Templeton Investment Mngmt						
20 Copthall Avenue, EC2R 7EA.						01-588 6064
Intl Pen & Ch'ties			90.9	94.7		
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 7HF						01-493 7262
Dealing 01-493 6545						
American Opps	5	41.12	41.12	43.09	[illegible]	[illegible]
(Accum Units)	5	42.02	42.02	44.65	[illegible]	[illegible]
European Opps	5	42.35	42.63	45.51	[illegible]	[illegible]
(Accum Units)	5	42.78	42.90	45.76	[illegible]	[illegible]
Far Eastern Opps	5	86.47	86.47	92.09	[illegible]	[illegible]
(Accum Units)	5	86.94	86.94	92.57	[illegible]	[illegible]
Golden Opps	5	37.09	37.09	39.41	[illegible]	[illegible]
(Accum Units)	5	37.33	37.33	39.66	[illegible]	[illegible]
Intl Hi-Yield	5	46.13	46.13	49.01	[illegible]	[illegible]
(Accum Units)	5	46.61	46.61	49.52	[illegible]	[illegible]

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Society				
Investment Mngt. M & G Inv Mngt. Ltd				
AA Friendly Sy Jan 10		139.4		-
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth			0202 292373	
Prop. Ser. 1	241.8	254.6	-0.1	-
Equity Ser. 1	115.8	121.9	+0.2	-
Prop. Acc. Ser 2	330.1	348.6	+0.1	-
Equity Ser 2	131.9	138.4	+0.2	-
Selective Acc	284.4	299.4	+0.3	-
Prop. Ser. 4	275.5	290.1	+0.1	-
Equity Ser. 4	133.8	140.6	+0.2	-
Fixed-Int. Ser. 4	209.4	220.5	+0.6	-
Indexed-Inv. Ser. 4	120.3	126.3	-0.2	-
American Ser. 4	267.0	281.1	-1.2	-
High Inc. Ser. 4	377.1	397.0	-1.4	-
Japan Ser 4	272.7	287.1	+0.2	-
Man. Ser. 4	373.3	393.0	+0.1	-
Money Ser. 4	216.3	227.7	-0.3	-
European Ser 4	93.0	97.9	+0.1	-
Pension Funds				
Property	464.9	489.4	+0.2	-
Equity	952.5	1002.7	+2.8	-
Selective	302.8	318.8	+0.2	-
Managed	680.5	716.4	+0.6	-
Security	396.2	417.1	+0.6	-
Fixed Int.	233.7	246.0	+0.7	-
European	127.4	134.2	-0.3	-
American	221.3	233.0	-1.2	-
Japan	290.7	306.1	+0.2	-
Indexed	127.6	134.4	-0.3	-
International	146.7	154.5	+0.5	-
Ethical	102.2	107.6		-
High Income	100.6	105.9	-0.2	-
Abtrust Management Ltd				
20, Chiswell St. London, EC1Y 4TY			01-374 4801	
Managed Growth	304.22	320.24		-
Managed Income	135.57	142.71		-

FT UNIT TRUST INFORMATION SERVICE

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Prolific Life & Pensions Ltd (z)

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Ass. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd—Contd.

Royal Life Insurance Ltd

Royal Liver Assce (Life & Pensions)

Save & Prosper Group (z)

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd—Contd.

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co. Ltd.

UK Life Assurance Co Ltd

UK Provident

Windsor Life Assur Co Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
58⅛	43¼	Time Inc. $1	55¾xd		$1.00	–	1.1
20⅝	15⅞	Transamerica $1	19⅞xd		$1.84	–	5.6
10⅞	754p	Transworld Corp $5	10⅞		20c	–	1.1
20⅛	14½	TRINOVA Corp	17½xd	–1/16	56c	–	1.9
19	13½	USX $1	18⅞		$1.20	–	3.8
23	17⅝	Utd. Technologies	22¼xd		$1.60	–	4.1
33⅝	26¼	US West‡	33½		$3.52	–	6.2
21¼	16⅞	Waste Management $1	20⅞xd	–⅛	48c	–	1.4
16⅞	12⅞	Whirlpool $1	16⅛		$1.10	–	3.9
32⅟16	18¼	♦Woolworth $3½	30½		$1.64	–	3.2

CANADIANS

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	173p	ABM Gold Corp ‖	229p		–	–	–
32p	11p	♦Abbot Energy Corp	26p		–	–	–
14¼	990p	♦Amer. Barrick Res	12	–½	–	–	–
10p	3½p	American Lightwave	6p		–	–	–
47p	18½p	♦Armeno	24p		–	–	–
76p	45p	Augmitto Expln	70p	–3	–	–	–
13½	10⅝	Bk. Montreal ‖	13½		$2.00	–	7.2
676p	514p	Bk. Nova Scot. ‖	672pxd	–4	76c	–	5.5
18¼	15¼	BCE ‖	18xd		$2.44	–	6.6
716p	591p	♦Bow Valley ‖	684p	+8	♦40c	–	2.8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

For Acids see Paper, Printing Advertising

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1988 High	Low	Stock	Price	+ or -	Div Net	C'vr	Gr's	P/E
[illegible]								
59	36	Ovoca Gold IR 2p ... v	41	+1	—	—	—	—
38	19	Pennant Grp. 2p ... v	34	+1	d0.2	—	0.8	—
60	33	Propeller 1p ... v	58	.....	—	—	—	♦
31	13	Publishing Hldgs 5p ... v	19	+1	—	—	—	11.4
207	150	Royal Sovereign Grp 10p.	205	.....	4.6	1.9	3.0	19.2
26	22½	Scott Pickford 10p ... v	25½	+1	3.1	0.7	16.2	13.2
80	68	Seacon Hldgs ... v	76	.....	—	—	—	—
27	18	Slaks Hldgs. 5p ... v	22	.....	—	—	—	♦
4¼	3	Swanyard Studios 1p. v	3¼	.....	—	—	—	♦
278	200	Takare ... v	263	.....	b1.0	8.1	0.5	27.0
70	41	Theme Holdings ... v	64	.....	♦1.1	♦	2.3	♦
36	26	Tomorrows Leisure 20p v	31	.....	—	—	—	12.4
25	13½	Tollow Oil 10p ... v	28	.....	—	—	—	—
135	118	UPL Group 10p ... v	118	.....	L2.41	♦	2.7	♦
148	120	Unit Group ... v	148xd	.....	5.0	♦	4.5	♦
98	85	Video Tape Record 5p v	97	-1	12.3	2.3	3.2	14.0

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures *indicate 10 per cent or more difference if calculated on "nil"* distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ *Cover allows for conversion of shares not now ranking for* dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ¶ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and *P/E based on latest annual earnings. M Dividend and yield based on* prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ... v	70	.....
Craig & Rose £1 ... v	700	.....
Finlay Pkg. 5p ... v	85	.....
Holt (Jos) 25p ... v	£11¼	.....

IRISH

Nat. 9¾% 84/89 ...	£100¾	.....
9pc Cap Ln. 1996 ...	£98¾	.....
Fin. 13% 97/02 ...	£119	.....

Arnotts ... v	380	.....
CPI Hldgs ... v	120	+3
Carrol Inds ... v	150	-1
Hall (R. & H.) ...	162	.....
Helton Hldgs ... v	52	+1
Irish Ropes ... v	165	.....
Unidare ... v	420	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp.	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons	50
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	15
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen	25
Lex Service	33
Lloyds Bank	26
Lucas Inds	58
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	18
NEI	18
Nat West Bk	52
P & O Dfd	52
Plessey	16
Polly Peck	30
Racal Elect	32
RHM	30
Rank Org Ord	44
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property	
Brit Land	30
Land Securities	52
MEPC	52
Peachey	50

Oils	
Brit. Gas	16
Brit Petroleum	24
Burmah Oil	58
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26

Mines	
Cons Gold	95
Lonrho	20
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Good session for Gilt-edged as pound rises but equity sector again lacks turnover

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Jun 20	Jun 30	Jul 1	Jul 11
Jul 4	Jul 14	Jul 15	Jul 25
Jul 18	Jul 28	Jul 29	Aug 8

*New time dealings may take place from 9.00 am two business days earlier.

THE INVESTMENT mood brightened a little in London yesterday as sterling rallied and British Government bonds moved ahead. Also helping UK equities was Wall Street's steadiness in early trading as it made its first response to the heightening tensions in the Gulf.

Gilt-edged bonds, taking their cue from sterling and also from a sharp upturn in the price for short sterling on the London International Financial Futures Exchange (Liffe), put on about 1¼ points in good turnover.

Bond traders reported a good day's business, with domestic retail buyers taking up the lead given overnight by Japanese buyers of UK Gilts.

The very short dates gained ¼ or ⅜ of a point, bringing the yield on Exchequer 12½ per cent 1990 down to 9.81 per cent. Price gains stretched to around ¾ in the medium dates, and to more than a full point in the longs, where the key Treasury 11¾ per cent 2003-07 returned a yield of 9.63 per cent.

However, despite yesterday's gains, opinions in the Gilt-edged market remained sharply divided over the near term outlook for interest rates.

While some traders were prepared to take an optimistic view, and suggested that Monday's half point rise in base rates to 10 per cent might prove successful in checking inflation worries for the present, there were others who predicted further base rate rises ahead.

"This is not the end", said a bond strategist at Robert Fleming, a major UK house, noting that Barclays led the way to higher mortgage rates in the UK by putting its rate up sharply from 9.75 per cent to 11.1 per cent yesterday.

"Ten per cent base rates might have done the trick a few weeks ago, but now we have to face the Budget tax cut inflows, and we may need stronger medicine" he added.

UK bonds moved in contrast to New York Treasuries which eased as the latest report from US purchasing managers indicated a buoyant American economy in June. London is at present enjoying a holiday from domestic economic data but early next week Gilts must face the latest statistics on Industrial production, average earnings and retail prices.

The improvement in equities lacked genuine investment support, although there were a number of special situations. Shares opened firmly on the back of a good Tokyo market, but proved unwilling to move far while London awaited the re-opening of Wall Street after the Independence Day break. In the event, the New York market made a calm start, and UK equities closed with modest gains.

The FT-SE 100 Index ended the day a net 6.8 points higher at 1854.8. Seaq turnover, at 383.2m shares, was unimpressive, although the total was boosted by heavy trade in the telecommunications sector, where a £100m contract for STC from British Telecom brought some hurried revision of profit estimates.

Plessey sprang into the limelight as market sources claimed that one firm had traded 15,000 contracts in the Plessey August option series – the largest single order in this market's history.

Overall, 10,243 Plessey call options and 5,116 puts were taken out. Plessey shares, where turnover reached 2.3m, moved up smartly towards the close to end the session 5 up at 163p.

GEC, still boosted by the prospect of a major share buying in programme and the prospect of major orders from the USSR, rose 3½ to 163p after turnover of 4.4m.

British Telecom, turnover 5m, eased 1½ to 257p while Cable & Wireless, 2.5m traded, hardened to 358p despite the disappointment of Nynex pulling out of the transatlantic leg of C & W's global digital highway system.

STC provided the highlight in the electronics sector with the shares advancing strongly to close a net 12 higher at 283p, after 284p, on turnover of 10m, far in excess of the norm for the stock.

There were a number of heavy buyers in the market during the morning and it was later revealed that the group had won a £100m flexible access system contract with British Telecom, with the possibility of more to come. Among a number of upgraded profits forecasts Hoare Govett has recently moved from £258m to £270m for the year to end –1989.

The market perceived the contract to be a major success for STC, with significant implications for other Telecom suppliers.

Johnson Matthey, the precious metals group, moved ahead strongly as the market digested news that Cookson, the specialist metals and chemical manufacturer, had acquired a 6.3 per cent stake in the company.

Inevitably, the move gave rise to talk of the possibility of an outright bid and the Johnson Matthey share price jumped 89 to 390p in active trading. Although some quarters were sceptical about the situation in view of Charter Consolidated's 38 per cent stake in Johnson Matthey, most were agreed that a full bid would make sound industrial logic. It is thought that Anglo-American Corporation, which holds an indirect shareholding in Charter Consolidated, may hold the key to the situation.

Charter Consolidated rose 51 to 413p, but worries about a dilution of earnings or a possible rights issue if it does go ahead with a full offer left Cookson 10 lower at 262p; some 4.6m shares were traded.

Legal & General were strong performers in a mixed insurance market with the shares finally a further 3 up at 323p – on turnover of 1.2m.

Talk in the market towards the close of business was that a disclosable stake in Legals had been accumulated by French group Union Assurance Paris, via Banque Paribas and its brokers Quilter Paribas and was about to be declared. Dealers continued to speculate on the possibility that Lloyds Bank had been a major buyer of the insurance company's shares.

An extremely busy session in the oil and gas sector saw LASMO shares race up to close 7 higher at 459p, after 460p, on turnover of 2.5m, as rumours of an imminent 600p a share bid for the group from British Gas went round the market. Gas shares settled ½ up at 181p after turnover of 6.4m with the stock said to have been actively traded on the IDB screens.

Enterprise Oil, along with LASMO the market's favourite takeover issue in recent weeks, were a couple of pence off at 467p on a much smaller volume, with dealers citing a large turnover in the options.

BP continued to reflect the view that the partly–paid shares were overvalued relative to the old. The latter managed a minor gain at 255p, after 257½p, after turnover of 4.2m while the new held at 59½p on turnover of 7.6m.

International stocks were mixed, with dollar earners starting the day generally steady on currency hopes before falling back later as the dollar faded. ICI was well supported, rising above the £11 mark at one stage. Turnover was subdued at 1.5m shares, however, and the price gradually drifted back to end unchanged at £10¾. Glaxo gave up a penny to 984p in minimal trading.

BOC slipped 2 to 424p as 2.7m shares changed hands. Reed International climbed 12 to 414p as a bewildering array of rumours hit the market. Dealers speculated that a major stake might be on the move, but soon dismissed this and the shares closed at 412p. Turnover of 3.7m was the heaviest for some time.

Rothmans International and **BAT Industries** both improved 2 to 426p (turnover 2.4m) and 423p respectively, despite a television documentary on Monday.

Mr Michael Henderson, chief executive of Johnson Matthey, refused to be drawn on whether his company was considering a outright bid for Johnson Matthey. He pointed out that it was too early to comment, but stated that the many similarities betweeen the two companies suggested potential synergy.

Macarthy improved 4 more to 230p as dealers noted continued buying interest amid an increasing shortage of stock. **Wardle Storeys** rose 10 to 619p after rumours of an impending three-for-one share split, with a bear squeeze helping the price higher.

The big–four banks posted strong gains as Monday's widespread and persistent selling dried up. Hopes that the sector could experience a substantial run in advance of interim figures were said to have been responsible for a rise of 10 in NatWest to 585p. Barclays jumped 8 to 408p and **Midland** moved up 6 to 440p.

TSB attracted heavy and sustained buying interest via the inter–broker dealer screens and the shares gained 1½ to 108p, after turnover of 5.4m.

Merchant banks were well supported with **Guinness Mahon** moving up 4 to 109p.

Pearl was a good market among life assurances, and rose 6 to 487p after two sizeable buying orders during the morning. **Prudential**, after rumours of various switch operations involving the stock, held at 164p on turnover of 2.9m.

In composites **Commercial Union** put on 3 to 376p and **Royals** the same amount to 413p while a US buyer lifted **Sun Alliance** 5 to 988p.

Brokers remained in favour. **Lloyd Thompson** gradually improved to close with a rise of 7 to 175p and **Willis Faber** edged up 3 to 269p, after 270p.

Scottish & Newcastle reported results that failed to move the market - dealers said the improvement in profits left the company vulnerable to a bid, which should continue to support the share price around current levels. Nevertheless, County NatWest WoodMac has downgraded its full-year forecast for 1989 from £136m to £133m. S&N shares closed a penny worse at 328p.

Elsewhere **Brewery** stocks were quiet. **Guinness** edged ahead a penny to 330p. Rumours resurfaced linking Guinness with French distiller Louis Vuitton Moet Hennessy, with which it has several joint ventures.

Scottish retailers **Goldberg** featured in the Stores sector after press reports that Blacks Leisure was preparing to launch a bid. Goldberg closed 4 higher to 219p.

There was interest in **Next** after Smith New Court was reported to have placed 1m shares at 248p as part of a large programme trade. **In Shops** were lifted 13 to 111p after Monday's acquisition of 82,000 square feet of central Birmingham retail space for £1.9m.

Dixons survived recent adverse Press comment - one analyst dubbed Stanley Kalms' outfit the "new Harris Queensway" - to remain unmoved at 175p, while the real **Harris Queensway** continued its rise - up 3 to 176p - as the market awaits James Gulliver's long-heralded knockout bid.

Rolls-Royce were actively traded (7.6m shares) and closed 4 to the good at 136p; the company is currently seeking $100m Government launch aid towards the development costs of a more powerful version of the RB-211-524 engine which the company believes will leapfrog the capacity of other high thrust engines on offer from US competitors.

Linread, reflecting news that Anochrome Holdings, a private company, has increased its stake to just over 10 per cent, rose 6 to 131p.

The Foods sector saw **Booker** recover to 400p, a gain of 12 on the day, after Monday's announcement that it is acquiring Linfood from Dee Corporation. **Cadbury Schweppes** improved 2 to 396p in turnover of 1.9m shares, while **Ranks Hovis McDougall** was also 2 better at 410p amid increasingly confused rumours about the fate of the Goodman Fielder stake. Several dealers thought an announcement was imminent, but were unclear which company, if any, might have bought the stake. They were ruling out Hutchison Whampoa after a strong denial from Hong Kong.

Pleasurama rose 12 to 212p as the rumour that Rank Organisation might be about to bid £4 per share was resurrected.

William Collins "A" shares were 15 better at 480p after a company visit last week. Dealers commented that a small re-rating was involved. **D.S Smith** rose 9 to 361p in a thin market.

Great Portland firmed 12 to 339p as the market speculated where the 3.5 per cent stake of chairman Basil Samuel - who died on Sunday - would end up.

Hammerson "A" fell 5 to 636p after announcing that it would issue 735,000 ordinary shares at £7.50 to the Church Commissioners plus £4.75m in cash in return for the headlease interest in the 100-shop Merseyway Centre in Stockport.

British Aerospace was briskly traded (3m shares) in the wake of news of the order for 7 advanced turboprop aircraft valued at £57m from Airlines of Britain and closed 5 to the good at 420p.

Granada's interim profits of £58.3m were slightly below best expectations and the shares drifted back in a relatively quiet trade (around 1.2m shares changed hands) to close 4 off at 316p.

The day's one new issue, specialist interior decorators **Colefax and Fowler**, had what dealers described as a "fairly successful" debut. Having been placed at 125p, Colefax opened at 126p and after early two-way trading the stock seemed to fall into firm hands to close with a 12 point premium at 138p.

Activity in the **Traded Options** market picked up well after the lull of recent days. A total of 42,091 contracts weretraded, of which 28,855 were calls and 13,236 puts. Plessey were by far the most actively traded stock with no less than 10,243 calls and 5,116 puts. The August 130 and 140 calls and 140 puts were the most popular in Plessey. British Gas attracted good business with 1,343 calls and 1,923 puts, as did GEC, which notched up 2,105 calls and 962 puts.

Traditional Options

- First dealings June 27
- Last dealings July 8
- Last declarations Sept 29
- For Settlement Oct 10

For rate indications see end of London Share Service

Dealers reported a quieter day in the Traditional option market. Stocks favoured for the call included Cadbury Schweppes, Norfolk Capital, Metal Box, T. Cowie, Pleasurama, Smith and Nephew, Legal and General and RHM. Puts were arranged in Ashley Industrial Trust and Jaguar, but no double options were reported.

FINANCIAL TIMES STOCK INDICES

	July 5	July 4	July 1	June 30	June 29	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	88.17	87.54	87.82	87.92	87.94	90.66	91.43 (18/4)	86.97 (13/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.36	97.24	97.53	97.56	97.60	97.25	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1485.3	1470.3	1485.1	1483.2	1479.7	1836.7	1496.7 (23/6)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	213.5	213.1	208.4	207.2	207.1	386.8	312.5 (7/1)	195.4 (13/5)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.52	4.53	4.51	4.52	4.53	3.12				
Earnings Yld. % (full)	11.47	11.55	11.48	11.51	11.56	7.52				
P/E Ratio (net)(*)	10.61	10.54	10.60	10.57	10.53	16.41				
SEAQ Bargains (5pm)	23,376	23,821	29,412	24,045	22,105	56,094				
Equity Turnover (£m)	-	873.58	1263.14	1146.05	908.61	1749.32				
Equity Bargains	-	24,877	30,345	25,494	24,111	66,294				
Shares Traded (ml)	-	371.5	498.7	432.9	400.9	753.7				

S.E ACTIVITY

Indices	July 4	July 1
Gilt Edged Bargains	175.1	188.9
Equity Bargains	161.2	296.6
Equity Value	1765.7	2553.1
5-Day average		
Gilt Edged Bargains	141.4	132.0
Equity Bargains	172.4	171.4
Equity Value	2082.8	2119.1

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1479.8	1481.9	1480.5	1480.9	1481.5	1482.0	1481.5	1484.6

Day's High 1485.6 Day's low 1479.8

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil–10.51.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (108).

AMERICANS (4) CANADIANS (4) BANKS (7) BREWERS (1) BUILDINGS (4) CHEMICALS (4) STORES (5) ELECTRICALS (4) ENGINEERING (2) FOODS (3) INDUSTRIALS (28) INSURANCE (2) LEISURE (4) MOTORS (2) NEWSPAPERS (1) PAPERS (4) PROPERTY (7) SHIPPING (2) TEXTILES (1) TRUSTS (15) OILS (2) MINES (1) THIRD MARKET (2).

NEW LOWS (12).

BANKS (1) King & Shaxson, BUILDINGS (1) Redland Cap. 7¾pc, ELECTRICALS (2) Klark-Teknik, Microgen Hldgs., ENGINEERING (1) Airship Inds., LEISURE (1) Scot. Ice Rink, MOTORS (1) Spice, NEWSPAPERS (1) Accord Pub., PAPERS (2) BBB Design Grp., Home NV "A", PROPERTY (1) Cussins Prop. Grp., TRUSTS (1) TR Technology Stepped Pf.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA Group	1,500	General Accident	130	Prudential	2,900
Allied-Lyons	1,200	General Elect.	4,400	Racal	1,000
Amstrad	799	Glaxo	897	Rank Org.	394
Argyll Group	2,700	Globe Investment	97	RMC	159
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

		Tuesday July 5 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Mon Jul 4 Index No.	Fri Jul 1 Index No.	Thu Jun 30 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (208)	796.56	+0.8	9.94	3.97	12.47	13.72	790.11	791.67	789.99	992.12
2	Building Materials (29)	1003.10	+0.1	11.19	4.21	10.97	18.34	1002.35	1007.78	1005.93	1295.24
3	Contracting, Construction (35)	1591.64	–0.1	10.34	3.38	12.65	26.35	1593.90	1599.49	1595.48	1826.46
4	Electricals (12)	2088.97	+0.8	9.84	4.77	13.69	48.13	2072.08	2088.68	2086.02	2580.06
5	Electronics (31)	1736.75	+1.3	9.65	3.42	13.32	21.30	1714.44	1708.83	1701.30	2152.72
6	Mechanical Engineering (56)	414.75	+1.0	9.47	4.22	11.17	8.05	410.52	411.45	410.10	527.90
8	Metals and Metal Forming (8)	507.33	+6.8	9.42	3.68	13.11	7.95	474.90	476.84	476.80	565.21
9	Motors (14)	280.40	+0.4	11.67	4.57	9.93	5.22	279.29	277.40	278.19	377.83
10	Other Industrial Materials (23)	1321.37	+0.4	8.77	4.18	11.57	25.61	1316.61	1323.62	1322.95	1625.63
21	CONSUMER GROUP (187)	1096.32	+0.3	8.88	3.54	14.24	16.74	1093.28	1102.87	1098.50	1364.32
22	Brewers and Distillers (21)	1118.47	....	10.70	3.64	11.74	11.97	1118.64	1126.36	1119.80	1252.14
25	Food Manufacturing (23)	989.50	+0.4	8.32	3.49	15.39	17.07	985.36	991.76	989.36	1060.87
26	Food Retailing (16)	2032.34	+0.3	8.48	3.24	11.69	21.46	2025.25	2029.47	2024.79	2574.90
27	Health and Household (12)	1864.55	....	6.65	2.62	17.44	17.98	1864.56	1876.19	1873.71	2562.08
29	Leisure (30)	1135.87	....	8.37	3.71	11.05	24.33	1335.55	1351.23	1345.40	1442.64
31	Packaging & Paper (17)	526.11	+0.7	9.05	3.82	14.24	9.15	522.58	526.49	525.40	721.91
32	Publishing & Printing (17)	3476.40	+1.9	8.19	4.39	15.40	70.60	3413.00	3439.12	3442.97	4538.16
34	Stores (34)	810.17	+0.2	10.28	3.97	12.86	14.50	808.63	823.40	815.62	1124.73
35	Textiles (17)	601.29	....	11.46	4.52	10.25	12.34	601.50	607.30	606.69	827.13
40	OTHER GROUPS (92)	912.12	....	10.70	4.27	11.45	12.00	912.64	918.09	914.05	1144.05
41	Agencies (19)	1170.50	....	7.45	2.32	16.95	12.99	1171.11	1173.82	1165.42	1701.76
42	Chemicals (20)	1102.31	–0.1	11.00	4.46	11.10	22.34	1103.60	1108.83	1103.44	1431.98
43	Conglomerates (13)	1202.00	+0.2	10.50	4.43	10.95	20.98	1199.50	1210.91	1208.10	1443.45
45	Shipping and Transport (12)	1901.70	–0.3	11.26	4.70	11.76	34.04	1907.68	1919.33	1912.54	2398.32
47	Telephone Networks (2)	998.13	–0.4	11.16	4.46	11.63	2.32	1002.30	1011.82	1007.08	1134.62
48	Miscellaneous (26)	1186.73	+0.5	11.12	4.33	10.20	20.41	1181.08	1186.45	1174.62	1626.77
49	INDUSTRIAL GROUP (487)	980.23	+0.3	9.66	3.85	12.90	14.90	977.83	983.35	979.57	1222.64
51	Oil & Gas (13)	1810.48	+0.4	11.06	5.85	11.63	39.80	1803.14	1811.75	1834.09	2425.67
59	500 SHARE INDEX (500)	1050.72	+0.3	9.85	4.13	12.71	17.04	1047.18	1053.70	1052.00	1324.81
61	FINANCIAL GROUP (123)	710.91	+0.7	–	4.78	–	15.23	705.89	709.27	711.87	840.93
62	Banks (8)	685.14	+1.4	20.92	6.13	6.41	18.03	675.87	681.76	685.25	849.81
65	Insurance (Life) (8)	1053.73	+0.2	–	4.76	–	24.97	1051.53	1054.63	1066.97	1194.71
66	Insurance (Composite) (7)	550.21	+0.5	–	5.38	–	11.82	547.37	547.72	550.52	634.86
67	Insurance (Brokers) (7)	1002.31	+0.4	9.61	6.35	13.44	31.54	998.50	985.76	987.70	1296.94
68	Merchant Banks (11)	356.61	+0.3	–	4.05	–	7.83	355.43	359.97	359.73	427.30
69	Property (52)	1224.58	+0.4	4.92	2.63	23.98	13.26	1219.20	1225.86	1224.63	1308.06
70	Other Financial (30)	389.98	+0.6	10.03	4.85	12.46	8.97	387.69	388.16	388.06	558.91
71	Investment Trusts (78)	912.56	+0.2	–	2.98	–	11.85	910.75	915.97	914.59	1111.12
81	Mining Finance (2)	534.79	+2.6	9.83	3.52	12.52	8.12	521.13	520.93	517.46	546.51
91	Overseas Traders (8)	1170.11	+0.4	9.87	4.77	11.91	29.22	1165.15	1171.89	1163.60	1137.51
99	ALL-SHARE INDEX (711)	962.35	+0.4	–	4.19	–	16.35	958.24	963.88	963.01	1193.44

	Index No.	Day's Change	Day's High	Day's Low	Jul 4	Jul 1	Jun 30	Jun 29	Jun 28	Year ago
FT-SE 100 SHARE INDEX ♦	1854.8	+6.8	1855.5	1850.8	1848.0	1858.2	1857.6	1855.1	1856.9	2365.4

FIXED INTEREST

	PRICE INDICES	Tue Jul 5	Day's change %	Mon Jul 4	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	121.30	+0.39	120.82	–	5.87
2	5-15 years	137.33	+0.97	136.01	–	7.17
3	Over 15 years	147.35	+1.28	145.49	–	6.88
4	Irredeemables	162.56	+0.93	161.06	–	7.30
5	All stocks	134.66	+0.83	133.54	–	6.72
	Index-Linked					
6	5 years	127.81	+0.11	127.67	–	1.12
7	Over 5 years	120.36	+0.05	120.29	–	1.72
8	All stocks	120.81	+0.06	120.73	–	1.67
9	Debentures & Loans	117.06	–0.11	117.22	0.02	6.47
10	Preference	93.91	+0.13	93.78	–	3.31

	AVERAGE GROSS REDEMPTION YIELDS		Tue Jul 5	Mon Jul 4	Year ago (approx.)
	British Government				
1	Low	5 years	9.35	9.50	8.19
2	Coupons	15 years	9.40	9.55	8.98
3		25 years	9.20	9.33	8.98
4	Medium	5 years	9.81	10.00	9.07
5	Coupons	11 years	9.62	9.78	9.20
6		23 years	9.41	9.55	9.21
7	High	5 years	9.89	10.06	9.23
8	Coupons	15 years	9.79	9.94	9.36
9		25 years	9.49	9.62	9.16
10	Irredeemables †		9.46	9.61	8.86
	Index-Linked				
11	Inflation rate 5%	5yrs.	2.70	2.73	2.62
12	Inflation rate 5%	Over 5 yrs.	3.87	3.87	3.82
13	Inflation rate 10%	5 yrs.	1.71	1.74	2.32
14	Inflation rate 10%	Over 5 yrs.	3.71	3.71	3.76
15	Debs &	5 years	10.86	10.93	10.12
16	Loans	15 years	10.84	10.90	10.12
17		25 years	10.84	10.86	10.12
18	Preference †		9.57	9.58	10.24

♦Opening index 1850.8; 10 am 1854.0; 11 am 1852.1; Noon 1852.4; 1 pm 1852.8; 2 pm 1853.2; 3 pm 1852.2; 3.30 pm 1855.4; 4 pm 1855.5

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied Lyons (*425)	390	37	52	62	2	6	10
	420	14	30	41	7	16	22
	460	2	13	22	37	40	45
Brit. Airways (*150)	130	21	–	–	½	–	–
	140	12	19	21	1½	5	8
	160	1½	8	12	13	16	20
[illegible]							

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
LASMO (*460)	390	80	93	100	2½	13	18
	420	53	72	85	7½	28	27
	460	25½	47	65	23	37	43
P. & O. (*575)	500	82	87	105	4	6	13
	550	37	47	72	7	20	32
	600	9	23	42	30	47	60
[illegible]							

RISES AND FALLS YESTERDAY

[illegible]

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

CANADA

TORONTO
2pm Prices July 5

OVER-THE-COUNTER

Nasdaq national market. Closing prices July 5

Continued from page 39

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES			
Exch. 11% 1990	£101⅛	+	⅛
Exch. 10½% 1997	£109	+	
Treas. 11¼% '03-07	£116	+	1
Barclays	408	+	8
Booker	400	+	12
Charter Cons.	413	+	31
Great Portland	338	+	11
Imry Merchant Dev.	418	+	5
Johnson Matthey	390	+	89
Laing Props.	515	+	5
Lloyd Thompson	175	+	7
LASMO	459	+	7
NatWest Bank	585	+	16
Peachey	529	+	13
Priest Marians	395	+	18
Reed Intl.	412	+	18
STC	283	+	12
Vinten	183	+	28
FALLS			
Cookson	282	−	18
Harrisons & Cros.	649	−	4

TOKYO - Most Active Stocks
Tuesday, 5 July, 1988

	Stocks Traded	Closing Prices	Change on day
Mitsubishi Heavy Industries	147.55m	934	+71
Mitsui Engineer	135.05m	598	+48
Kawasaki Steel	125.72m	739	+43
NKK	99.77m	615	+53
Nippon Steel	88.99m	625	+49
Kawasaki Heavy Industries	70.03m	691	+44
Kobe Steel	66.14m	585	+49
Mitsubishi Electric	65.09m	925	+47
Fuji Electric	55.23m	848	+33
Toshiba	53.74m	960	+46

INDICES

NEW YORK — DOW JONES

	Jul 1	Jun 30	Jun 29	Jun 28	1988 High	1988 Low	Since compilation High	Since compilation Low
◊Industrials	2131.58	2141.71	2121.98	2130.87	2152.2 (22/6)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.00	88.87	88.80	88.73	91.25 (3/3)	86.12 (4/1)	—	—
Transport	899.34	908.15	888.14	890.23	908.15 (30/6)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	180.42	181.07	179.59	180.33	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

◊Day's High 2151.14 (2147.23) Low 2118.95 (2112.38)

STANDARD AND POOR'S	Jul 1	Jun 30	Jun 29	Jun 28	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite‡	271.78	270.98	270.98	272.31	275.66 (22/6)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	313.75	315.73	313.20	314.57	318.54 (22/6)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	24.81	24.92	24.90	24.62	24.92 (30/6)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	153.68	154.47	153.13	153.77	155.35 (22/6)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	309.00	309.25	307.15	308.42	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	394.69	394.66	391.66	391.67	394.69 (1/7)	331.97 (12/1)	455.26 (26/8/87)	54.87 (31/10/72)

	Jun 24	Jun 17	Jun 10	year ago (approx.)
Dow Industrial Div. Yield	3.49	3.55	3.54	2.83
	Jun 29	Jun 22	Jun 15	year ago (approx.)
S & P Industrial div. yield	3.10	3.03	3.06	2.52
S & P P/E ratio	14.18	14.42	14.37	23.17

TRADING ACTIVITY

NEW YORK	Jul 1	Jun 30	Jun 29
Issues Traded	1,921	1,969	1,970
Rises	615	1,177	577
Falls	835	410	909

CANADA

NEW YORK ACTIVE STOCKS

Closing prices July 5

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— A—A—A —								
27¾	14	AAR s	.36	1.4	22	1285	26¼	26⅛	26¼	− ⅛
12⅛	6¾	ACMIn n	1.19e	10.		014	11⅞	11⅝	11¾	+ ⅛
12⅝	10¾	ACMSc n	1.20	11.		256	11¼	11⅛	11⅛	− ⅛
10⅛	9½	ACMSp n				66	9¾	9⅝	9¾	− ⅛
27¾	10½	AGS			21	282	27¼	26⅞	27	
7⅞	2⅛	AMCA				182	4¼	4⅛	4¼	+ ⅛
6⅝	3¼	AM Intl				2240	3¾	4⅞	3	
26¼	17	AM Int pf	2	9.9		254	26¼	26	26⅝	− ⅛
65½	26¼	AMR			12	4183	52¼	49¾	50	− ⅞
11⅛	3¼	ARX			11	60	6⅛	6½	6⅝	+ ⅛
72⅞	40¼	ASA	3	7.0		216	42¾	42⅛	42¾	
22⅝	0½	AVX	.06e	.3	14	x551	10	16⅛	16⅞	+ ⅛
65¼	46	AbtLab	1.20	2.6	16	5275	40¾	44⅛	45¾	+ 1¼
26	13⅝	Abitibi g	1			243	18⅞	16¾	19⅞	− ¼
16⅛	8½	AcmeC	.45	3.4		52	11⅞	11¾	11⅞	
10¼	6⅝	AcmeE	.32b	4.6	22	2	7	7	7	− ⅛
30	14½	AdaEx	3.05e	19.		10	16¼	13⅞	16¼	+ ¼
24⅞	7½	AMD				2325	18⅝	16¾	16¼	+ ⅛
56¼	66¼	AMD pf	3	7.0		33	43	43	43	+ ⅛
11⅝	4¼	Adobe			18	122	7¾	7½	7⅝	− ⅛
29¼	16¼	Acob pf	1.84	16.		10	16¼	16¼	16¼	
13¼	3⅞	Advest	.12	1.8	9	33	6¼	6¼	6⅝	− ⅛
84¼	39½	AetnLf	2.10	0.0	7	2223	46¼	45	46¾	+ 1
41¼	20½	AfilPb s	.20	.7	40	1246	29¼	27¼	29⅛	+ ⅛
23¼	13	Ahmans	.80	0.4	11	1485	16⅝	16	18⅞	+ ¼
4	1¼	Aileen				24	3½	3⅜	3½	
63⅞	36	AirPrd	1.20	2.3	15	1919	52¼	50⅞	52	+ ⅛
33¼	11⅛	AirbFrt	.60	3.1	26	178	19⅝	10	19¼	+ ⅛
16½	6¾	Airgas			20	290	16	18¼	16	+ ⅛
20	13½	Airlease	2.30	12.	10	27	10	16¾	10	
27¼	24⅝	AlaP pf	2.09e	6.4		10	04¾	24¾	24¾	
0⅞	7⅝	AlaP dpf	.87	9.6		10	9¾	8⅞	9⅞	− ¼
110	103½	AlaP pf	11	10.		z50	164⅞	164⅞	164⅞	− ⅛
101½	86½	AlaP pf	9.44	9.8		z300	95½	85½	52½	
24	12¾	AlskAir	.16	.8	17	850	18⅝	19	19⅝	
[illegible]										

Continued on Page 39

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous Page										
41	29	Ryder	.52	1.9	16	2456	29	28⅛	28	+ ⅛
32¼	17¾	Rykoff	.56	2.2	21	560	31	30¾	30¾	
28½	11	Rylend	.50	3.6	7	667	16⅛	16⅛	16⅛	− ⅛
20¾	7½	Rymer			19	14	15⅛	15	13⅛	− ⅛
12	8	Rymer pf	1.17	12.		4	9½	9⅛	9½	− ¼
− S−S−S −										
38¼	27⅛	SCECp	2.48	7.6	10	1991	32⅛	32⅛	32⅛	+ ¼
17	3	SCOR U	.10e	1.3	6	98	8⅛	8	8	− ⅛
13⅛	7⅛	SL Ind	.15b	2.3	14	29	8⅛	8	8	
47⅛	25⅞	SPSTec	1	2.0	13	1	37⅞	37⅞	37⅞	− ⅛
39⅝	21⅛	SPX Cp	1.20	3.3	16	216	36¼	36⅛	36⅛	+ ½
61⅞	13	SSMC			26	182	24⅞	24⅛	24¼	− ⅛
34⅝	16½	Saatchi	1.00e	5.4	9	3091	26	13⅞	26	+ ⅛
14	10	SabnR	1.54e	13.	6	37	11⅞	11½	11⅞	− ⅛
19⅝	8	StgdSc			7	28	16½	16⅜	16½	+ ⅛
39½	21¼	SafKln	.30	1.1	24	606	28⅞	28½	28⅞	+ ⅛
8	6¼	SabCas	.75e	9.0		42	8⅜	8¼	8⅜	+ ⅛
24⅛	17⅞	StJoLP	1.40	6.4	10	12	21⅞	21¼	21⅞	
14¼	6¼	Salant			10	59	12½	12¼	12⅝	
89½	61	SalMeM	.54	.7	18	739	30¼	70½	80¼	− ½
35¼	16⅝	Salomn	.64	2.6	23	2771	24⅝	24⅞	24⅝	− ⅛
35	28⅛	SDieGs	2.60	7.8	10	662	33⅞	33¼	33¼	− ½
9⅛	6⅞	SJuanB	.40e	5.6		4	7⅛	7⅛	7⅛	
14	8½	SJuanR			14	28	13⅛	12¼	12⅞	− ⅛
32⅝	23½	SAnltR	2.04	6.7		32	30⅛	25⅞	30⅛	− ⅛
21⅛	14⅝	SFeEP	2.88	17.		20	17¼	17⅛	17⅛	− ⅛
34⅝	14¼	SFeSP s	.18	.5	5	1746	20⅞	19⅞	20⅝	+ ⅝
47⅞	28½	SaraLee	1.20	3.2	14	1366	37¼	36⅞	37⅛	+ ¼
25¼	16	SaulRE	.20	.8	62	1	24¼	24¼	24¼	− ¼
14¼	10⅝	SavE pf	1.25	11.		6	11⅞	11⅞	11½	
2	9-64	Savin				1587	11-32	5-16	11-32	
8⅛	13-16	Savin pf				16	8⅛	8½	8⅛	
...										
		SymsCp			12	14	12	11⅞	12	+ ⅛
	8	Syntex	1.30	3.2	17	3725	41⅛	40⅝	41	− ⅛
		Sysco	.32	1.0	28	713	31⅞	29½	31⅛	+ 1⅛
		Systint	.20a	2.5	21	339	7⅞	7⅛	7⅞	+ ⅛
− T−T−T −										
		TCW	.84	10.		148	8⅛	7⅛	8⅛	+ ⅛
		TDK	.54e	.8		15	64¼	64⅛	64⅛	+ ⅛
		TECO s	1.42	3.8	10	323	23¼	23⅛	23¼	+ ⅛
		TGIF			20	59	8⅞	8½	8½	− ⅛
		T.IX s	.50	2.7	18	204	18⅞	18½	18½	− ¼
		TNP	1.47	7.4	8	6	19⅞	19⅞	19⅞	
		TRW	1.60	3.3	11	1076	48⅛	47⅞	47⅞	− ⅛
		TW Svc	.16	.6	16	250	16⅛	17⅞	18	+ ½
...										
		Wynns	.60	3.6	30	66	20¼	28	28⅛	+ ⅛
− X−Y−Z −										
65	30	Xerox	6	5.4	10	2524	55¼	54¼	55¼	+ ⅛
60½	48⅛	Xerox pf				46	48¼	48½	48⅛	− ⅛
35¼	19⅛	XTRA	.64	2.0	18	68	31½	31½	31⅛	− ⅛
68¼	17⅛	Yorkdo			16	3137	66¼	65¼	66	− ¼
7¼	2¼	Zapata				182	2⅞	2⅛	2⅞	
37	13½	Zayre	.40	1.9	11	1268	20⅛	20⅛	20⅝	− ⅛
33⅝	19	ZenlthE				1876	27⅞	27⅝	27⅞	+ ⅛
10⅛	9¼	Zenth n	.05e	.6		50	8⅞	8¼	8⅞	
19½	1	vjZenLb				312	1⅛	1¼	1¼	
24	13⅛	ZenNtl	.80b	3.4	11	125	23½	22½	23½	+ ⅞
29⅛	11⅛	Zero	.40	2.5	15	318	16⅛	15⅝	16	+ ½
30¼	18	Zurnln	.68	3.1	14	1289	22	20½	22	+ 1⅝
11⅛	7⅞	Zweig	1.05e	9.4		637	11⅛	10⅞	11⅛	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Closing prices July 5

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 3pm Prices July 5

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

Continued on Page 37

AMERICA

Dow breaks 2,150 barrier at highest level since crash

Wall Street

A WAVE of enthusiasm after the Independence Day holiday swept stock prices on Wall Street to their highest level since the October crash, *writes Anatole Kaletsky in New York.*

The Dow Jones industrial average rose 27.03 points to 2,158.61, more than six points above the previous post-crash high of 2,152.20, which was attained two weeks ago. Trading was moderately heavy witb 172.5m shares changing hands, witb most of the transactions reflecting genuine investment demand and futures-related arbltrage rather than dividend-stripping activities.

The gains were broadly spread across the market, although oil issues and blue chip stocks led the advance. Advancing shares outnumbered decliners on the Big Board by 939 to 523. Broader indices hit new post-crash highs along with the Dow. The Standard & Poors 500 rose 4.02 to 275.80 and the New York Stock Exchange Index advanced 1.89 to 155.57.

The Dow opened the day about ten points down and spent the morning in negative territory, as investors reacted to a weaker bond market and uncertainty about the military situation in the Gulf. There was also some concern about a post-holiday continuation of last Friday's minor losses. Technicians noted that last week the market had put in lts worst performance since the summer rally began in mid-May, suggesting a possible loss of momentum as the Dow approached the 2,150 barrier.

The market's mood lifted just before noon, however, partly in response to news that the Federal Reserve was adding reserves through overnight system repurchase agreements. Along with a sharp fall in the Commodity Research Bureau commodities index, the Fed's action helped to limit an early decline in the bond market. By late afternoon, the Treasury long bond was down 11/32 points at 102 11/32, a price at which it yielded 8.674 per cent. The Federal Funds rate hovered around 7¾ per cent throughout the day.

The bond market's stability gave equity investors the reassurance they needed to mount a renewed assault on the 2,150 Dow level which had been seen as an important psychological barrier. At first the market's gains seemed hesitant. But after several hours of trading in the 2,140 to 2,145 range failed to elicit large volumes of profit-taking, the buying interest picked up, both in the casb market on Wall Street and among futures traders in Chicago. With futures prices advancing to a premium against the cash market, arbitrage became a significant posltive force in the last two hours of trading, allowing the market to surmount its earlier post-crash high witb little apparent trouble.

Dividend-related trading played only a small part in yesterday's market activity, with a total of about 25m shares changing bands in Delmarva Power & Light, Carolina Power & Light, Illinois Power and Pacific Telesis.

Apart from these stocks, the day's most active issue was Storage Technology, the compnter data storage manufacturer, and Baxter International, the medical products firm. Storage gained $⅛ to $2¾ with 5.4m shares changing hands, while Baxter fell $⅜ to $20¼ with 1.6m shares traded.

Most of the blue chipa advanced significantly, although without many fireworks. IBM gained $2⅜ to $129. Digital Equipment was up $2⅝ at $116⅝ and AT&T advanced $¼ to $27. General Motors was up $⅛ at $79⅞ and General Electric rose $⅛ to $44⅛.

Oil stocks were among the day's best performers, as markets reacted calmly to the US destruction of the Iranian jetliner over the weekend. Exxon rose $1¼ to $47⅞, Chevron gained $2 to $47¾ and Texaco rose $⅛ to $47½, with over 1m shares traded in each stock.

Canada

RISING base metals and industrials pushed Toronto share prices higher in moderate trading.

The composite index, which had dropped about seven points in earlier trading, advanced 21.20 to 3,465.40.

Advances led declines 412 to 319 and volume was 24,219,000 shares, compared with Monday's 12,859,000. Value of trading was C$292.9m, up from C$150.8m.

ASIA

Big-capital stocks soar as stronger yen lifts Nikkei

Tokyo

THE YEN'S rally against the dollar and a recovery in the bond market animated equities in Tokyo yesterday for the first time in several sessions, with sharp rises among the big-capital stocks, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average gained 216.78 to 27,577.17, the first advance in four trading days. It began at a day's low of 27,362.33 and reached a high of 27,585.00 in the afternoon. Volume rose sharply to 1.69bn shares from Monday's 918m and gains led losses by 470 to 408, with 163 issues unchanged.

Later in London Japanese shares traded slightly lower. The new International Stock Exchange/Nikkei 50 index, which covers 50 blue chips during both Tokyo and London market hours, closed down 1.68 in London at 1,739.02, after finishing in Tokyo at 1,740.70.

In Tokyo, the yen's temporary rally to the Y133 range against the dollar cheered investors, who had been bearish on Monday, fearing the cheaper yen would lead to higher interest rates.

A leading brokerage house spokesman said investors who had previously sought any big capitalisation stocks, were now selecting defence-related and high-tech issues.

Shipbuilders with large orders from the Defence Agency were popular. Mitsubishi Heavy Industries soared Y71, or 8 per cent, to Y934 on the day's heaviest trading of 147.55m shares, while Mitsui Engineering and Shipbuilding jumped Y48 to Y598, coming second on the active list with 135.05m.

Leading blast furnace steelmakers gained ground, with Kawasaki Steel rising Y43 to Y739, NKK Y53 to Y615 and Nippon Steel Y49 to Y625.

Ishikawajima-Harima Heavy Industries chalked np a daily limit gain of Y100 to Y986 as rumours that Nomura Securities had begun buying the stock triggered massive purchases. Buy orders amounted to 70m shares against sell orders of only 15m, and the stock did not change hands until shortly before the close, with volume totalling 22.9m shares.

Mitsubishi Electric, which also has a large share of the defence equipment market, rose Y47 to Y925, while Toshiba and Hitachi added Y46 to Y960 and Y60 to Y1,500 respectively.

High-tech stocks priced below Y1,000 drew heavy buying. Fuji Electric rose Y33 to Y848 and Sanyo Electric Y28 to Y735, while Oki Electric posted a Y62 increase to Y1,000, reaching that level for the first time. Among higher-priced issues, Matsushita Electric Industrial gained Y50 to Y2,530 and NEC added Y10 to Y2,100, bnt Sony finished unchanged at Y5,200.

Bond prices firmed as the yen's rally eased fears of inflation and a rise in interest rates. Buying for short covering pushed down the yield on the benchmark 5.0 per cent government bond due in December 1997 below 5 per cent for the first time in four days to 4.980 per cent, compared with Monday's 5.155 per cent. The yield, however, rose again to 5.005 per cent at the close.

Many dealers were still cautious about the future exchange market trend and were not active buyers.

Shipbuildings and steels traded actively in Osaka, although equities of some companies based in the Kansai region of western Japan came under selling pressure. The OSE stock average rallied 179.71 to 27,656.17 on transactions totalling 157m shares, up 112m.

Australia

THE Australian dollar's recovery to above 78 US cents and rising base metal prices combined to take resource issues higher, with bullishness then spreading to industrials.

The All Ordinaries index rose 12.2 to 1,572.3 on turnover worth A$129m.

Singapore

EARLY profit-taking hit prices initially, but speculative buying and bargain hunting in the afternoon helped push equities higher.

Tha Straits Times industrial index edged up 1.19 to 1,095.66 and turnover rose to 44m shares from Monday's 38m.

Several block deals boosted Insas 3½ cents to 42 cents, with 3.4m shares traded.

Hong Kong

THE holiday on Wall Street on Monday helped dampen trading activity and share prices closed lower, with the Hang Seng index off 5.71 at 2,681.91.

Turnover fell sharply to HK$670m worth of shares, compared with HK$926m on Monday. Financials saw the heaviest trading, with most active Hongkong Bank up 5 cents at HK$6.40.

Robert Taylor reports on a 50-year study of leading stock markets

Sweden proves a long-term winner

SOCIAL Democratic Sweden has enjoyed the greatest stock market expansion of almost any sizeable western industrialised country during the past 50 years. Its performance is even better than that of the US.

This is the surprising conclusion of a study carried out for Sweden's white-collar trade union organisation – TCO – by its chief economist Mr Roland Spant and Mr Hans Loof, an economist with the country's local anthority employers, on the long-term trend in share market growth in 14 industrialised countries.

They have calculated that between 1937 and 1988 there was an average annual increase in real (inflation-adjusted) share prices of 3.2 per cent in Sweden, compared with 1.7 per cent in the US and Finland respectively, 1.4 per cent in Australia and 1.0 per cent in Canada.

During that period, the annual rate of increase was 0.9 per cent in France and the Netherlands and 0.5 per cent in Austria and Britain. Three countries experienced an average annual decline in the real value of their share prices over the 50-year period – Norway, Belgium and Italy.

Nominal share prices in Sweden rose from an index based at 100 in 1937 to 6,977 this year, while real share valnes were nearly five times higher by this May compared with 1937.

"The long-term development in real share prices in Sweden has been particularly outstanding during the 1980s," says Mr Spant. Indeed, the market's growth between 1980 and 1984 equalled that of the whole previous 43 years.

There was a more than fourfold increase in nominal share values in Stockholm between 1980 and 1984, according to the research paper. Since 1984, the real increase in share prices has been higher in Japan, Finland, Italy and Belgium than in Sweden. But only Finland has enjoyed a faster expansion than Sweden during the whole of the 1980s.

The authors argue that Sweden's devaluations in the early 1980s gave companies a lead over their foreign competitors and led in powerful growth in profitability. The Swedish Government's reforms of the bourse, which made it easier for foreigners to acquire shares, and its economic policies in general also helped give the Stockholm market renewed buoyancy.

"Of all the industrialised countries for which a comparison is possible for the whole of the 1937-1988 period, Swedish share price growth has been outstandingly the most favourable," argues the study.

Neither Japan or West Germany were included in the long-term research but their real increase in share prices has been calculated for the 1984-1988 period. There was a huge 35 per cent rise in Japan's real share prices during those four years and a 6 per cent increase in West Germany's.

The long-term achievement of the Stockhnlm bourse can be seen in calculations in the TCO report of the real value today of SKr10m invested in 1937. The figure for Sweden was SKr48.9m ($7.7m), for the US SKr23.9m, for France SKr16m and for Britain SKr12.8m.

The report says these trends will not necessarily continue into the future – the dramatic ups and downs in the markets over the years show the risks of change.

However, there seems to be little doubt that Swedish Social Democratic financial policies have benefited tha Stockholm bourse. No wonder many brokers and bankers hope privately the present Government is returned in September's general election.

Share growth in Sweden and 13 other industrial countries. TCO Special Study June 1988, Linnegatan 14, Box no 5252, 10245 Stockholm.

The market profile series resumes tomorrow with a look at Frankfurt.

EUROPE

Rumour mill works overtime in buoyant Paris

CORPORATE news helped keep European bourses buoyant overall, in spite of concern over the effect of the Gulf crisis on Wall Street, *writes Our Markets Staff.*

PARIS was again set alight by strong demand for drinks gronp LVMH and shares closed higher in spite of some nervousness over Wall Street's opening.

The rumour mill worked overtime producing stories on the buyer behind high volume in LVMH, which rose FFr50 to FFr2,915, with 240,470 shares traded after 250,000 on Monday. Over the past two months more than 16 per cent of the group's share capital has changed hands.

Analysts dismissed speculation of Japanese demand and stakebuilding by Britain's GrandMet, focusing instead on rumours of a rift between the group's chairman Mr Alain Chevalier and vice-chairman Mr Henry Racamier.

Speculation yesterday prodnced a complex web of possible dealings, with one or the other said to have invited holding company Financière Agache, or Guinness, or both, to build up a stake in LVMH. The aim would be to build up enough "friendly" shares to give either Mr Racamier or Mr Chevalier overall management control, or to enable the victor to buy ont the other, said analysts. The group declined to comment on suggestions of differences between the two.

The rumour-mill also focused on Moulinex, up FFr6.70 at FFr111.80 with 513,000 shares traded. There was talk of a possible bid from Braun or a management buy-out. The opening CAC General index was up 3 at 363.8 and the EFX 50 index finished 2.65 higher at 361.43.

FRANKFURT moved higher on good foreign and domestic demand for leading blne chips and desplte technical prohlems which put the KISS electronic price display system out of action for the day. The real time DAX share index, launched last Friday, was consequently unavailable, but the problems should be ironed out by today.

The FAZ index showed a midsession rise of 2.87 to 488.61 in slightly higher West German share turnover of DM3.2bn, compared with DM2.9bn on Monday.

Banks were firm, with Deutsche Bank up DM7.50 at DM467 and Commerzbank 80 pfg higher at DM237.80. The banks are considering raising personal loan rates and this would ease long-standing pressure on their interest margins, one analyst explained.

Daimler rose DM11.50 to DM661.50 amid further moves over the 30 per cent stake it may possibly take in MBB, the aerospace company. Siemens added DM3 to DM424, off its highs, after rumours of a rights issue which were denied by the company.

Bonds edged np in cautious trading before New York's return from the Independence Day holiday. The yield on the 6¼ per cent 1998 federal bond was 6.62 per cent after Monday's 6.63 per cent.

MADRID finished mixed to easier in light trading, with investors apparently unmoved by indications from Finance Minister Mr Carlos Solchaga that interest rates would continue to come down. The Madrid general index shed 1.45 to 294.95.

Resistance around the 300 level on the index, and nervousness in global markets following the Airbus disaster in tha Gulf, were blamed for the easier tone. "Volumes are tailing off," said one analyst. "The market has had a lot of good news and a good run."

Market leader Telefónica finished 2.25 percentage points lower at 195.75 per cent of nominal market value on profit-taking after the stock went ex a 5.00 point dividend on Monday. Last week some investors were selling Telefonica ADRs in New York ex-dividend and buying up cum-dividend stock in Madrid, achieving a hefty short-term gain.

Chemical stock Aragonesas was off 24 at 675 after it emerged that March, the construction materials to banking group, had built up a 15 per cent stake.

Aragonesas had risen by more than 150 per cent from a low in January of 277 to a high on Monday of 699 on speculative interest surrounding the stakebuilding and rumours that the Kuwaitis might be interested in the group. Yesterday's fall indicated some disappointment that this speculative activity was probably now at an end.

AMSTERDAM was buoyed by late active trading, in an otherwise quiet session, and closed higher.

The strengthening of the dollar over the session after a weak opening aided demand.

Royal Dutch closed 1.90 higher at 226.50, after Columbia Gas of the US announced the two were in talks over Columbia's possible sale of a 50 per cent interest in its liquid natural gas subsidiary.

MILAN hit some profit-taking after Monday's gains and the MIB index eased 9 points to 1,057, amid concern over the Gulf tragedy and the direction Wall Street would take on opening after the Independence Day holiday.

News of a lower balance of payments deficit for May and a steady inflation figure for June had little positive impact, but the market also remained sanguine about the continued high level of mutual fund redemptions. However, there were some worries over likely fiscal measures to dampen domestic demand.

Insurers turned down, with Generali losing L1,300 to L86,010.

STOCKHOLM closed slightly higher, with the Affärsvärlden General index up 2 at 859 amid anxiety over Wall Street's reaction to the Gulf crisis.

Ball-bearing maker SKF fell SKr5 to SKr320 on *profit-taking* and news that industrial group Trelleborg would keep its stake at the 10.1 per cent announced on Monday. Trelleborg slipped SKr1 to SKr250.

ZURICH ended firmer, with good gains for the banks and chemicals. But trading was hesitant in the run-up to Wall Street's opening. The Crédit Suisse index added 2.8 to 472.5.

West German buying was reported in the banking and chemical sectors, which saw Union Bank bearers up SFr50 at SFr3,250 and Swiss Bank certificates SFr3 higher at SFr306.

BRUSSELS ended mostly firmer in moderate trading, with prices boosted by the start of the forward market's two-week cycle. The stock index closed up 43.73 at 5,008.61.

Tractebel and Electrafina saw increased demand as subscriptions began for their rights issues. Tractebel was up BFr60 at BFr7,160 and Electrafina rose BFr100 to BFr7,300.

London

SENTIMENT improved in London on the stronger pound, a better gilts market and Wall Street's unruffled tone. The FT-SE 100 index added 6.8 to 1,854.8 but turnover remained moderate.

Internationals were mixed, with early gains in dollar earners fading as the currency fell back.

SOUTH AFRICA

GOLD stocks closed firmer in modest local buying in Johannesburg yesterday as the bullion price remained steady.

A lack of foreign investment interest meanwhila sent the financial rand down further.

Randfontein ended R7.50 higher at R272.50 and Vaal Reefs was up R6 higher at R280, with Kloof edging R1 to R33.25.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JULY 5 1988					MONDAY JULY 4 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (89)	140.14	+1.9	121.75	118.17	3.77	137.46	121.09	116.96	150.35	91.16	139.12
Austria (16)	86.38	+0.7	75.04	81.80	2.54	85.79	75.57	81.53	98.18	83.72	85.89
Belgium (63)	119.21	+1.2	103.57	113.03	4.46	117.75	103.73	112.09	139.89	99.14	125.83
Canada (129)	127.99	+1.4	111.20	112.47	2.99	126.22	111.19	111.64	128.91	107.06	134.43
Denmark (39)	130.85	+1.2	113.68	123.06	2.36	129.30	113.90	122.00	132.72	111.42	115.45
Finland (26)	128.28	-2.2	111.45	117.14	1.47	131.17	115.55	119.94	139.53	106.78	–
France (130)	97.55	+1.3	84.75	94.00	3.44	96.32	84.85	93.11	99.62	72.77	110.03
West Germany (100)	77.11	+0.9	66.99	73.10	2.54	76.44	67.34	72.70	80.79	67.78	96.05
Hong Kong (46)	107.54	-0.3	93.43	107.94	4.24	107.90	95.05	108.21	109.20	84.90	128.21
Ireland (18)	135.61	+0.7	117.81	129.76	3.66	134.73	118.69	129.36	141.54	104.60	134.76
Italy (102)	71.22	-0.7	61.88	71.97	2.79	71.74	63.20	72.74	81.74	62.99	94.25
Japan (456)	159.60	+1.8	138.66	135.39	0.53	156.74	138.08	134.15	177.27	133.61	133.88
Malaysia (36)	150.81	+0.3	131.02	152.44	2.41	150.33	132.43	151.75	153.14	107.83	175.74
Mexico (13)	165.94	-3.4	144.17	414.57	1.31	171.84	151.38	430.26	180.07	90.07	269.42
Netherland (38)	104.62	+1.4	90.90	98.15	4.71	103.15	90.87	97.08	110.66	95.23	126.69
New Zealand (21)	76.25	+1.3	66.24	59.96	5.95	75.25	66.29	59.80	84.05	64.42	99.26
Norway (25)	120.70	-0.3	104.87	109.24	2.76	121.01	106.60	109.84	132.23	98.55	142.03
Singapore (26)	123.54	+0.5	107.33	116.91	2.15	122.93	108.29	116.52	125.56	97.99	154.34
South Africa (60)	120.11	-0.7	104.35	92.12	4.77	120.93	106.53	90.83	139.07	118.10	158.35
Spain (43)	151.12	+0.0	131.29	138.93	3.18	151.10	133.10	139.59	164.47	130.73	122.97
Sweden (35)	117.21	+0.4	101.83	109.23	2.61	116.74	102.84	109.27	125.50	96.92	115.22
Switzerland (55)	80.18	+1.2	69.66	75.38	2.27	79.21	69.78	74.79	86.75	75.60	97.25
United Kingdom (326)	131.82	+1.8	114.52	114.52	4.34	129.43	114.02	114.02	141.18	123.09	155.98
USA (584)	112.47	+1.3	97.71	112.47	3.48	110.98	97.76	110.98	112.47	99.19	125.50
Europe (1016)	106.45	+1.2	92.49	97.28	3.69	105.14	92.62	96.89	110.82	97.01	124.49
Pacific Basin (674)	156.72	+1.8	136.16	133.45	0.73	153.98	135.64	132.26	172.26	130.81	133.80
Euro-Pacific (1690)	136.65	+1.6	118.72	119.00	1.67	134.48	118.46	118.12	147.53	120.36	130.12
North America (713)	113.29	+1.3	98.43	112.49	3.45	111.79	98.48	111.04	113.29	99.78	125.98
Europe Ex. UK (690)	90.66	+0.7	78.76	86.57	3.13	89.99	79.27	86.23	92.99	80.27	104.94
Pacific Ex. Japan (218)	122.04	+1.1	106.03	109.22	3.91	120.72	106.35	108.62	128.15	87.51	132.95
World Ex. US (1892)	136.21	+1.6	118.34	118.65	1.74	134.09	118.13	117.77	146.49	120.26	130.68
World Ex. UK (2150)	126.51	+1.5	109.91	116.68	2.11	124.68	109.83	115.53	131.77	111.77	125.95
World Ex. So. Af. (2416)	127.00	+1.5	110.34	116.64	2.31	125.11	110.21	115.54	132.39	113.26	128.43
World Ex. Japan (2020)	111.34	+1.3	96.73	106.99	3.56	109.93	96.84	105.96	112.43	100.00	126.15
The World Index (2476)	126.96	+1.5	110.30	116.47	2.32	125.09	110.19	115.38	132.38	113.37	128.62

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90 791 (Pound Sterling) and 94.94 (Local).